

**WHAT WOMEN WANT**  
**LEGISLATIVE REVIEW WORKSHOP**



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**WHAT WOMEN WANT  
LEGISLATIVE REVIEW WORKSHOP**

**A Workshop to Examine the Legislation to Enact the Federal  
Government's Proposal for Reform of Industrial Relations and its  
Welfare-to-Work Strategy**

**Friday 11 November 2005  
Pilgrim House Conference Centre, 69 Northbourne Ave, Canberra**

**RECORD OF PROCEEDINGS**

**SPONSORS**

The National Foundation for Australian Women on behalf of the WomenSpeak Network, The Australian Women's Coalition and Security for Women (S4W)

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## **BACKGROUND TO THE WORKSHOP**

In 2005, three of the National Women's Secretariats, the Australian Women's Coalition, Security4Women and WomenSpeak, came together to explore the potential impact on women of the Government's proposed welfare and industrial relations changes. The following brief provides background on how this came about, some of the key issues and outcomes from this work to date.

### **The National Women's Secretariats**

The Commonwealth Government funds four national women's secretariats to contribute to Government policies affecting Australian women, carry information between the Government and the community on social policy issues, and represent constituents' views. The four Secretariats funded are:

- Australian Women's Coalition
- National Rural Women's Coalition
- Security4Women
- WomenSpeak

Each of the Secretariats has members who support the Network as members. The Secretariats are overseen by the Commonwealth Office for Women, with the Department of Family and Community Services (previously the Office for the Status of Women within the Department of Prime Minister and Cabinet).

The Secretariats have been operational for approximately four years. While the initial funding agreement had a focus on both research and consultation, the agreements just negotiated have a much stronger emphasis on consultation with women – both those who are members of the Networks, and more broadly.

Over the life of the Secretariats there had been information sharing but there had not been many opportunities to work together collectively. Issues that emerged in 2005 provided a catalyst for the Secretariats to come together in the pursuit of a common aim; that is to ensure that women are not disproportionately negatively affected by the Government's overhaul of the welfare and industrial relations systems.

### **The Issues**

In 2005, the Commonwealth Government made significant announcements on two key issues. They were changes to the industrial relations law, using the Corporations power in the Commonwealth Constitution, and changes to social security law, following on the transfer to the Department of Workplace Relations, from the Department of Family and Community Services, of elements of the Social Security Act. The legislation to implement these policies was later given the titles of Work Choices and Welfare to Work.

### **Establishment of the Project**

When coming together in mid-2005, three of the Secretariats identified that these two pieces of work had emerged as key areas of concern for each of these networks. In joint discussions in June 2005, the Secretariats agreed to come together to work on

this project, which was entitled What Women Want. A steering committee was formed, and the National Foundation for Australian Women (NFAW), a member of both Security4Women and WomenSpeak, agreed to take the lead on the project, particularly around the development of an initial workshop on these issues.

### **The What Women Want Workshop – July 12 2005**

#### **Process and activities**

A workshop was held in Canberra on 12 July and brought together representatives from 64 women's organisations. Government representatives from the Department of Family and Community Services and the Department of Employment and Workplace Relations also participated as resource people and observers.

#### **Findings and concerns**

The media statement released at the conclusion of the workshop outlined key issues and concerns:

- Women may well have less income security, lesser work stability;
- Women have a greater reliance on award rates of pay, penalty rates and other award-based conditions and so will be disproportionately affected;
- Women generally have a lower capacity to engage in workplace negotiations and will be disproportionately affected with lower standards of living;
- Newstart and other allowances under associated income support programs do not recognise the role of women with school-age children and the impact the changes will have on their ability to undertake work;
- Existing mechanisms to assist people move from welfare to work will not be able to cope with the increased demand as people's rights to income support diminish and so many will be left without sufficient income to look after their children or themselves if disabled; and
- It will be harder under the new rules for sole parents or disabled women to undertake study and so improve their economic well-being<sup>1</sup>.

The participants at the workshop endorsed the principle of government assistance for women with disabilities and those supporting children on their own to enter the workforce and improve their economic well-being. However, they felt the Government did not fully understand all the issues involved and that some of the policy proposals would be likely to adversely impact on women. Fear was expressed that the changes, without adequate safeguards, may increase the level of poverty in the community amongst its most vulnerable members.

#### **Research**

A number of separate but related activities were undertaken after the conclusion of the workshop. The role of NFAW in driving and commissioning this work should be noted.

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<sup>1</sup> 2005 Joint Statement of AWC, Security4Women and WomenSpeak regarding What Women Want Workshop (available through websites listed at the end of this brief)

In particular, NFAW worked with organisations and individuals to raise funds to commission independent research to test some of the concerns expressed in the workshop through statistical modelling. The National Centre for Social and Economic Modelling (NATSEM) was approached and expressed interest in being involved in the project. Once NFAW was successful in raising funds through donation, NATSEM approached the University of Canberra in order to identify matched funds through their grants process. This was successful and resulted in two initial pieces of research being undertaken:

1. A NATSEM study on the Distributional Impact of the Proposed Welfare to Work Reforms Upon Sole Parents; and
2. A NATSEM study on the Distributional Impact of the Proposed Welfare to Work Reforms on People with Disabilities.

Subsequently, the Don Chipp Foundation gave NFAW a grant which enabled commissioning of a third NATSEM report which examined several options to make less harsh the Government's proposal to place people with disabilities and sole parents on Newstart. These reports are all available from the websites of NATSEM and the National Foundation for Australian Women.

A further brief NATSEM analysis of the final policy as reflected in the 2005 legislation is in the main body of this report.

### **Advocacy**

The Secretariats agreed that it would be useful to meet with relevant government bodies to articulate key concerns and advocate for these views to be taken into account in relation to the finalisation of proposed changes. Therefore some significant meetings were arranged.

The consortium met with Department of Family and Community Services and Office for Women. Subsequently, the consortium met with the Minister for Employment and Workplace Relations Kevin Andrews and the Minister for Family and Community Services/Minister assisting the Prime Minister for Women's Issues Kay Patterson

Key issues that were discussed within the meeting included the following:

- The potential detrimental impact on women's wages and equal pay
- The potential detrimental impact upon women's terms and conditions of employment
- The potential detrimental impact upon women with family responsibilities
- The potential for the increased casualisation of work
- The potential reduction of financial support for those in need
- The potential detrimental impact upon sole parents
- The potential detrimental impact upon women with disabilities

In discussions, Minister Andrews acknowledged many of the concerns raised by the delegation and noted that many of these issues were being examined by the Government. He suggested that many of the concerns raised would be allayed when the detail of the proposals was released.

### **Participation in ACOSS Advocacy Day**

The Australian Council of Social Service organised a national advocacy day on 14 September to highlight general sector concerns around the welfare reforms. A range of member organisations in addition to the Security4Women and WomenSpeak Secretariat participated in this event, and joined delegations to members of Parliament.

**Further information, media releases and NATSEM research is available at:**

**<http://www.security4women.com>**

**<http://www.ywca.org.au/womenspeak>**

**<http://www.awcaus.org.au>**

**<http://www.nfaw.org>**

**WORK CHOICES AND WELFARE TO WORK LEGISLATION  
OUTCOMES OF THE WORKSHOP**

Over 60 national women's organisations, representing more than three million Australian women, with interests ranging from education, through small business, professional groups, church and religious affiliation groups, and service organisations, are unhappy with both pieces of legislation.

We welcome the policy of encouraging workforce participation, and the lessening of long-term welfare dependence.

We reject the methods chosen.

We see parents and society as already time-poor, with adverse effects on parents and children, and on the fabric of society.

We see both Work Choices and Welfare to Work as worsening that situation. We see the demands likely to be placed on individuals' regular free time by the two Bills (and policies) as also completely destructive towards and with no recognition of the importance of volunteering to the social fabric, in areas ranging from school sports through all the other areas of society which depend on people being able and willing to make regular volunteer time commitments

We see both Bills as a grave attack on the interests of women, and through them, on Australian families.

Women (with dependent children), partnered or un-partnered, are clustered in part-time, low-pay areas of the workforce. This frequently is a consequence of their skills base. It is also a consequence of them seeking jobs with family-friendly work conditions.

We fear that Work Choices will destroy hard-won gains allowing family-friendly work conditions.

Over many years, Australia has had an industrial relations framework which seeks to balance the rights of employers to operate within an effective and flexible labour market and the rights of employees to fair and equitable terms and conditions of employment. The rights of employers vis a vis those of employees have varied from time to time within the system and of course the legal framework has adapted to changes over time in the nature of work.

The Work Choices Bill is a very radical departure from the current system with a massive swing in power in favour of employers. It is difficult to understand why such a change is justified and NFAW considers that this will be to the long-term detriment of employees, particularly those at the lower paid levels of the work force. The proposed system may well suit skilled and educated workers in well-paid positions who are relatively mobile within the labour market and who can bargain effectively under a system of individual AWAs. In NFAW's view, however, a large number of the proposed changes will impact adversely on the 'working poor', those in part-time

and/or low paid positions whose individual bargaining power is very weak. Our main concerns are summarised below.

The Bill gives employers the right to refuse to negotiate a collective agreement even where that is the determined preference of workers. NFAW is concerned that individual AWAs will disadvantage workers, particularly those at the lower levels of the labour market who may have limited education and skills training and possibly a poor command of English. These are some of the most disadvantaged groups in our society whose ability to bargain effectively in one-on-one situations with employers will be very limited. To date, the union movement has been able to protect the rights of employees in these situations but under the proposed arrangements, the ability of unions to become involved will be significantly curtailed.

The strength and breadth of award coverage has guaranteed certain rights and wages to all workers, and we are concerned that the erosion of awards will have a detrimental affect on those who can least afford it.

We are concerned that workplace agreements will no longer have to pass the no-disadvantage test against a relevant or designated award. In relation to content, workplace agreements must only meet the Australian Fair Pay and Conditions Standard – the absolute legal minimum. Again this will disadvantage the ‘working poor’ who may not realise that the designated award contains conditions over and above this standard and, even if they did, would not be prepared to argue for their inclusion in workplace agreements.

The changes to the no disadvantage test could also lead to the disappearance of penalty rates and overtime for many workers. This will particularly affect women who are already the lowest paid employees in the country, who already make up the greatest number of casual and part-time workers in Australia, and often work evening and weekend shifts and rely on these penalty rates.

Under the proposals, workplace agreements completely displace awards although some ‘protected allowable award matters’ in a relevant award are deemed to apply to an agreement unless expressly modified or removed in the agreement. However, if the agreement is terminated, in the next round of bargaining ‘these protected allowable award matters’ will no longer be guaranteed. Under such an arrangement, it can be expected that awards will eventually disappear. It is probable that those at relatively well-paid levels in the workforce will be able to negotiate the inclusion of attractive employment conditions, including lifestyle arrangements, in their AWAs. However it would seem unlikely that these will flow on to the ‘working poor’ whose skills are less ‘valued’ by the market. Here the intersection of the Work Choices and the Welfare to Work provisions are relevant

In our view, the new industrial relations system will result in a further significant widening of the gap between those on the minimum wage and those at the higher levels of the employment market.

In Western Australia during the Court/Kiereth era, when there was a greater reliance on minimum wages and individual contracts, the gender pay gap grew, and WA women fell well behind the rest of the nation.

We are concerned that the Australian Fair Pay and Commission (AFPC) is responsible for determining **when** it will review the minimum wage and legislated conditions and that unions and other interested parties are not able to making submissions to the AFPC on the timing of a review. We therefore recommend that an annual review be held.

The removing of the minimum wage from the AIRC, the independent umpire, will have an adverse impact on many women workers who rely on a fair minimum wage adjustment made by an independent body for their annual wage increases. The proposed Australian Fair Pay Commission will be a hand-picked board by the current Government.

We have concerns about the proposal to simplify and rationalise all Federal and State awards. Although we are not opposed to simplification and rationalisation per se, we think the review process may be so drastic that it will result in industry-specific Federal awards which fail to recognise current important differences in skills levels based on educational attainments, work experience and individual abilities. This could result in a deskilling of the labour force with long-term effects on the Australian economy.

Restrictions on union access to work places make it very difficult for the most vulnerable to access cost-effective advice and representation. Additionally, although State laws regulating occupational health and safety will continue to apply, lack of union access to work places may result in an erosion of these OH&S protections.

The removal of employers with 100 or less employees from unfair dismissal laws is also likely to impact adversely on those in low-paid positions, including many women. There is a concern that some employers will abuse this power or that it will encourage poor management practices, with employers avoiding obligations to provide proper on-the-job training, guidance and counselling about work performance.

The August 2005 test case of the Australian Industrial Relations Commission, the *Family Provisions Decision*, has gone some way towards making Australian workplaces more responsive to work/life issues. This decision will allow an employee to request a further period of unpaid parental leave and/or return to work on a part-time basis until the child reaches school age. The capacity to make such requests would be of considerable benefit to women, who would be able to balance their family responsibilities and working life. It is a matter of profound disappointment that this landmark condition of employment may have little application due to its failure to be included into the AFPCS.

We fear that the inability of workers without skills in demand to negotiate reasonable pay and conditions will lead to sharply increased child and individual poverty.

We see Welfare to Work as unnecessarily harsh and punitive. Most economists consider that individuals respond to incentives.

We see the plain evidence of the lower rates of income support payments, allied with poor bargaining powers in the workforce will also lead to sharply increased levels of child and individual poverty.

The failure of government policy to deal with EMTRs means that workforce participation for sole parents and people with disabilities face insuperable financial disincentives. (See NATSEM tables in Ann Harding's paper.)

The specific points made and endorsed by all workshop participants follow:

### **Work Choices Concerns**

- Individual and collective bargaining – particularly impact on working poor
- Minimum wage – annual review by AFPC rather than AFPC to determine
- Pay equity – WA experience suggests gaps will widen
- Award rationalisation – impact on de-skilling
- Removal of no disadvantage test
- Demise of the award system
- Intersection of work choices and welfare to work
- Right of entry restrictions on unions – particularly concerning OH&S
- Abolition of access to unfair dismissal provisions
- Lack of inclusion of family test case provisions in work choice
- Impact on work/life balance and mental health and caring for families
- Imbalance of power
- Lack of independent umpire

### **Disability Changes Concerns**

- Assessment (CWCA) – Newstart, youth allowance, PPS, DSP review, vocational rehab, job network
- Quality assurance – providers, training, management info review, 80% government providers/20% tenders
- Award wage – clarification of AFPC
- Workplace adjustment invalid assistance not well used – employer education/encouragement
- Work capacity
  - short-term 8-15 hours
  - disability < 2 years
- 2 year period
  - may have small capacity to work now – have 2 years to build up capacity
- Cost of work/travel
  - medical appointments etc
- Intersection of disability and parenting
  - single mothers and disability has not been examined

### **Sole Parents Concerns**

- Women are overrepresented

## EXPOSURE DRAFT FOR CONSULTATION

- Loss of income – need modeling for other groups (e.g. kids older than 8 years old)
- Loss of income – rent, child-care, kids alone, schooling, health, credit debt, potential suicide?? What will happen to her?
- Effects of breaching
  - Appeals process? Needs to be streamlined.
  - Need breaching guidelines
- Lack of cheap public housing
  - homelessness
  - housing in relation to where work is
- Caring for both older and younger people
- Validity – how will it improve the situation? Need more child-care and employment services
  - services need to be spelt out more
  - softened for sole parents
  - validity of changes not leading to exploitation
- Needs to be a more humane way of dealing with the issues
- Protection of unreasonable hours for parents with family commitments

### **Intersection of Welfare to Work and Work Choices**

- Long-term effects
  - decrease in welfare
  - decrease in minimum rates
  - increase in poverty levels (particularly women and youth).
- Lack of protection
  - breaches
  - AFPC – lack of knowledge, concerns about when will meet, how often set minimum wages
  - Government and minister can override
- No financial disadvantage test gone – no one to regulate and examine
  - economic affect – unequal bargaining power (sole parents, disabilities – no skills to equal powers)
- Greater impact on vulnerable
- Self-employed – how are the hours calculated if self-employed?
- Issues with jobs
  - where are they?
  - under/over employment
- 8 hours week – how will this be recorded over a year?
- Skilling Australia Workforce Act
  - new apprenticeship schemes – de-skilling
  - less power to bargain
  - lack of training opportunities - \$ funneled into skill shortages – predominantly male areas
  - education – those on parenting payment to have opportunity to upgrade education
  - need income support whilst up-skilling (studying)
  - be alert to wedge messages
  - inability of people on Newstart to undertake education

## Where To From Now?

Educate the community to pressure government. How do we influence change? To do this:

- The message needs to be uniform nationally but run at a grassroots level
- Link with existing campaigns (unions, women's, disability groups etc.)
- Talk to as many community groups as possible, covering wide bases
- Family values – don't divide families (e.g. whether they are working or not). All families fundamentally the same.
- Emphasise impact on family life (lack of cohesiveness etc), making it personal
- Tell stories of people who are hurting
- Timing of campaigns
- Collect data where impact will be the greatest
- Support those who are hurting with advertising
- Galvanise the community by getting them to talk (MPs, community groups, churches etc)
- Australian families are time-poor – consider impact on children and families
- Main issues: family/community, poverty and work, time and money
- Include unpaid work in the community
- Lack of real incentive to work
- Need to make sole parent/disability potential workers more work-ready

## **ORGANISATIONS REPRESENTED THROUGH PARTICIPATING NATIONAL SECRETARIATS**

### **AUSTRALIAN WOMEN'S COALITION**

- Aboriginal Legal Rights Movement Inc
- Australian Church Women
- Australian Federation of Medical Women
- Catholic Women's League Australia
- Conflict Resolving Women's Network Australia Inc
- Council on the Ageing
- Guides Australia
- Muslim Women's National Network of Australia
- National Council of Jewish Women of Australia
- National Council of Women of Australia
- Pan Pacific and South East Asia Women's Association of Australia Inc
- Salvation Army (Women)
- Soroptimist International
- United Nations Development Fund for Women
- Zonta International

### **SECURITY 4 WOMEN**

- Association of Women Educators (AWE)
- Australian Federation of University Women (AFUW)
- Business and Professional Women Australia (BPWA)
- Certified Practising Accountants (Women's Network)
- National Association of Women in Construction (NAWIC)
- National Foundation for Australian Women (NFAW)
- The Association of Professional Engineers, Scientists and Managers Australia (APESMA)
- View Clubs Australia (Voice, Interests and Education for Women)
- Women in Adult and Vocational Education (WAVE)
- Women in Mortgage Broking Network (WIMBN)
- Women With Disabilities Australia (WWDA)

### **WOMENSPEAK**

- Aboriginal Legal Rights Movement of South Australia

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- Amnesty International Australia's National Women's Rights Team
- Australasian Council of Women and Policing
- Australian Baha'i Community Office of Equality
- Australian Council For International Development Gender Equity Working Group
- Australian Federation of Medical Women
- Australian Federation of University Women
- Australian Reproductive Health Alliance
- Australian Women's Health Network
- Body Image and Eating Disorders Network of South Australia
- Catholic Women's League Australia
- Children by Choice
- Guides Australia
- International Women's Development Agency
- Migrant Women's Lobby Group of South Australia
- Multicultural Women's Advocacy ACT
- National Association of Services Against Sexual Violence
- National Council of Churches in Australia Gender Commission
- National Council of Single Mothers and Their Children
- National Foundation for Australian Women
- National Liaison Committee for International Students in Australia Women's Department
- National Union of Students Women's Department
- Project Respect
- Public Health Association of Australia Women's Special Interest Group
- Soroptimist International
- UNIFEM
- Union of Australian Women
- United Nations Association of Australia Status of Women Network
- Victorian Immigrant and Refugee Women's Coalition
- Women with Disabilities Australia
- Women's Economic Think Tank (WETTANK)
- Women's Electoral Lobby
- Women's International League for Peace and Freedom
- Working Against Sexual Harassment
- YWCA Australia

## WORKSHOP PARTICIPANTS

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Natasha Williamson	DEWR
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Alison Frame	Human Services
Jane Timbrell	ACT Office for Women

# **WORKSHOP PAPERS**

## WORK CHOICES – WHAT IT MEANS FOR YOU

**Phil Copeland, Partner, Deacons**

### Workshop Presentation

#### General

- Affects employees of constitutional corporations, and employees of non-constitutional corporations under the federal system for 5 years
- Commences within 6 months of Act being passed
- Overrides most State employment laws (except LSL, WH&S, workers comp, discrimination, etc)

#### Australian Fair Pay and Conditions Standard (AFPC Standard)

- Minimum wage set periodically by Australian Fair Pay Commission
- Maximum of 38 ordinary hours per week (can be averaged over 12 months), plus reasonable overtime
- 4 weeks annual leave per annum (5 weeks for shift workers) – can cash out up to 2 weeks per year
- Personal/carer's leave of 10 paid days per year, subject to medical certificate if required. Limit of 10 days carer's leave taken per 12 months
- Up to 2 days unpaid carer's leave per occasion (after paid personal/carer's leave exhaustion)
- 2 days compassionate leave per occasion on death of a relative

#### Unfair Dismissal

- Employers with 100 or less employees exempt
- Extension of probation period to 6 months (can be shortened by written agreement)
- Exemption if reason is genuine operational requirements (can be argued at a pre-hearing)
- Unlawful termination jurisdiction remains
- State's unfair contracts jurisdiction removed

#### Award Rationalisation

- All State and Federal awards (over 4,000) to be condensed to 'dozens' of industry-specific awards
- 16 allowable award matters (no redundancy pay obligation for employers of less than 15 employees)
- AFPC Standard terms that are more generous remain

### **Workplace Agreements (Collection Agreements and AWAs)**

- No certification hearing, merely file with OEA
- Can be up to 5 years
- Cannot contain 'prohibited content'
- Only have to meet or exceed AFPC Standard
- Completely displace awards other than 8 'protected allowable award matters' which can be expressly bargained away
- Can be terminated on 90 days notice after nominal expiry date, then revert to AFPC Standard
- Employer Greenfields Agreement (prior to employing anyone) can be with no other party. Life of only 1 year

### **Transmission of Business**

- Awards and Agreements don't 'transmit' to new employer unless that employer employs employees of old employer
- Only transmit for 12 months

### **Industrial Action**

- Protected industrial action only after ballot
- Must apply to AIRC to conduct ballot
- Must have at least 50% of employees cast a vote, and 50% of votes in favour
- Applicant for ballot pays the costs (unless AEC ballot where only pay 20% of cost)
- No pay during industrial action, with minimum non-payment of 4 hours

### **Transitional Arrangements**

- State certified agreements become 'preserved State Agreements' and continue to operate under old State law. Deemed to include any relevant provisions of parent award
- State awards become 'notional agreements' and expire after 3 years, then AFPC Standard
- Federal Awards become 'transitional Awards' for 5 years
- Federal Agreements and AWAs continue under previous federal laws

## WORK CHOICES – WHAT IT MEANS FOR YOU

### Phil Copeland, Partner, Deacons

The new Federal industrial relations changes set out in the Workplace Relations Amendment (Work Choices) Bill 2005 introduced into parliament on Wednesday 2 November 2005 are proposed to take effect no later than 6 months after the Act is passed. All constitutional corporations who are employers in Australia and all of their employees at every level will be subject to the new laws. The most significant changes for constitutional corporations arising from the new laws are:

#### **1. Removal of Constitutional Corporations from the Jurisdiction of the States' Employment Laws and Industrial Relations Systems**

The Work Choices laws will apply to constitutional corporations and their employees to the exclusion of State laws relating to employment, industrial relations, unfair contracts and union right of entry (except under State OH&S law).

State laws regulating occupational health and safety, workers compensation, anti-discrimination, public holidays, jury service, long service leave and training of apprentices (but not payment) will continue to apply.

Federal collective agreements and AWAs (collectively referred to as **workplace agreements**) and awards will prevail over a State law to the extent of any inconsistency.

#### **2. Minimum Wage and Conditions**

The Australian Fair Pay Commission will periodically set and adjust minimum wages and minimum award classification rates of pay (including apprentices) and casual loadings.

The minimum wage and the following legislated minimum conditions will be known as the Australian Fair Pay and Conditions Standard for all employees (other than casuals) of constitutional corporations:

- a maximum of 38 ordinary hours per week (which can be averaged over a period of up to 12 months), plus reasonable additional hours (taking into account operational requirements, OH&S and family responsibilities) – and for which payment for each hour worked must be provided;
- 4 weeks paid annual leave per year, pro-rata and cumulative, and an additional week for shift workers. Workplace agreements may provide for cashing out of up to 2 weeks leave per year (not an entire accrual) at the employee's request;
- personal/carer's leave (subject to providing notice as soon as reasonably practicable), as follows:
  - 10 days paid sick leave or carer's leave per year, cumulative and pro-rata (with a limit on carer's leave of taking 10 days paid leave in any 12 month period, and subject to a medical certificate for any sick leave,

or medical certificate or statutory declaration for carer's leave, if the employer requires);

– after exhausting all paid personal/carer's leave, up to 2 days of unpaid carer's leave per occasion to care for a member of the employee's immediate family;

– 2 days of paid compassionate leave per occasion on the death of a relative;

- unpaid parental leave of up to 12 months for the primary care-giver and one week at the time of birth for the secondary care-giver, subject to the usual 12-month qualifying period.

Workplace inspectors will be appointed to ensure compliance with the Act generally, awards, workplace agreements and the Australian Fair Pay and Conditions Standard.

### **3. Unfair Dismissal and Unfair Contract**

The removal of employers with 100 or less employees from unfair dismissal laws has been confirmed. In determining how many employees are employed, only full-time, part-time and long-term casual employees employed at the time of termination are taken into account. All such employees are counted equally. There is no express grouping or anti-avoidance provision.

For employers of more than 100 employees, unfair dismissal claims will not be available to employees:

- with less than 6 months service unless the parties have agreed on a shorter period (so employers may decide to increase the probationary periods in employment contracts to 6 months); or
- when dismissal occurs because of or in part due to genuine operational requirements of the business. (The employer cannot consent to proceed to conciliation in the AIRC until this issue is determined.)

The remedy in relation to unlawful termination will remain for all employees.

Employees of corporations will no longer be able to issue unfair contract claims against the corporation under State law.

### **4. Award Review Taskforce**

This taskforce will be charged with recommending simplification and rationalisation of all Federal and State awards (over 4,000) down to just 'dozens' of industry-specific Federal awards. The Australian Industrial Relations Commission (AIRC) will be charged with making the awards and continue to, upon application, make orders binding employers to awards. Previous State award-covered employers, employees or their union will need to apply to the AIRC if they want to be covered by a Federal award.

Terms of awards that are not allowable award matters will cease to have effect. There are only a limited number of allowable matters, notably excluding redundancy pay for employers of less than 15 employees.

Further, awards must not contain non-allowable award matters such as trade union training leave, maximum or minimum hours for part-time employees, prohibitions or limitations on the engagement of labour hire workers and particular types of employment and rights of entry.

However, some terms of pre-reform awards are preserved for existing employer respondents. If an award provides for one of the terms of the Australian Fair Pay and Conditions Standard (annual leave, personal/carer's leave and parental leave) that is more generous to employees than the Standard, the award term prevails. Award terms about long-service leave, superannuation, jury service and notice of termination are also preserved (superannuation only until 30 June 2008).

## **5. Removal of the Requirement to have Agreements Certified by the AIRC**

Workplace agreements (AWAs and collective agreements) need only be 'lodged' with the Office of the Employment Advocate (OEA), along with a statutory declaration from the employer attesting compliance with agreement-making procedures and agreement content. Agreements have legal effect upon lodgement.

There will be no certification hearing for agreements and no ability for any party to object to lodgement (but there are substantial penalties if the statutory declaration is false or misleading or if the parties attempt to include prohibited content in the agreement, lodge late or otherwise do not follow prescribed procedures).

The AIRC will retain some powers to resolve disputes arising under agreements but only where those functions are expressly conferred on it by the parties or the agreement is silent. The default dispute resolution clause provides a role for the AIRC on referral by a party, but the Commission's powers are limited.

The Commission will not be able to arbitrate in relation to general disputes.

## **6. Content of Workplace Agreements**

The Work Choices Bill is silent about what matters a workplace agreement can contain. This will be clarified by what is determined to be "prohibited content" under Regulations yet to be made.

Workplace agreements will no longer have to pass the no-disadvantage test against a relevant or designated award. The only tests a workplace agreement must pass in relation to content will be to meet the Australian Fair Pay and Conditions Standard.

Workplace agreements completely displace awards (currently, certified agreements only override awards to the extent of any inconsistency, and where the agreement is silent, the award applies). Under the new laws, the following "protected allowable award matters" in a relevant award are deemed to apply to an agreement unless expressly modified or removed in the agreement:

- public holidays;
- rest breaks (including meal breaks);
- incentive-based payments and bonuses;
- annual leave loadings;
- allowances;
- penalty rates;
- shift/overtime loadings; and
- outworker conditions.

If the agreement is **terminated** (not simply replaced), in the next round of bargaining, these “protected allowable award matters” will no longer be guaranteed.

Regulations will specify matters that are “prohibited content” in workplace agreements (including current State awards and agreements) and which will be unenforceable. There are currently no regulations but it is expected that prohibited content will include the items stated in the Work Choices booklet:

- matters which do not pertain to the employment relationship;
- prohibiting AWAs;
- restricting the use of or the terms that can be offered by independent contractors or on-hire arrangements;
- providing for trade union training leave, bargaining fees or paid union meetings;
- mandatory union involvement in dispute resolution; and
- providing a remedy for unfair dismissal.

## **7. Terminating an Agreement**

For an agreement made under Work Choices, once it passes its nominal expiry date and it has not been replaced by another agreement, either party can unilaterally give 90 days written notice to the OEA to terminate the agreement.

Once terminated, the minimum terms and conditions of employment for the employees previously covered by the agreement will be the Australian Fair Pay and Conditions Standard, not any previous workplace agreement or award. The employer may provide the OEA with undertakings about what post-termination conditions will be applied, but the OEA has no discretion in relation to termination of the agreement.

## **8. Greenfields Agreements**

Employers engaging in new businesses, new projects or new undertakings will have the option, prior to employing anyone, to make an agreement with either a union/s or simply itself, that will cover all future employees.

In most industries, an employer greenfields agreement (i.e. without any other party) will have to offer competitive terms and conditions to attract a competent workforce.

The Bill provides that greenfields agreements must have nominal expiry dates of no more than 12 months, after which employees may take protected industrial action in support of a new agreement. Employer groups are lobbying for an increase in the period of operation to 5 years, and Minister Andrews has indicated that this issue is under consideration.

## **9. Transmission of Business**

Awards and agreements relevant to a business will ‘transmit’ to a new employer only if the new employer employs employees of the previous employer within 2 months. Therefore, merely outsourcing part of a business where the contractor does not employ any of the businesses employees will not give rise to transmission of industrial instruments.

Transmitted collective agreements and awards will only cover the transferring employees (if in relevant roles) who were previously covered, and will only apply for a 12 month transition period. The agreement cannot be terminated earlier. The new employer must notify the employees they are covered by the transmitted instrument but may apply to the AIRC not to be bound by it.

A transmitted award has no effect if the new employer has or makes a collective agreement (see section 6).

After the 12 month period those employees will be covered by any relevant instrument of the new employer or, if none, the Australian Fair Pay and Conditions Standard.

Transferring employees’ continuity of service is preserved for the purposes of parental leave and, if the new employer agrees in writing, for other Australian Fair Pay and Condition accruals.

## **10. Industrial Action and Disputes**

A secret ballot must be held before protected industrial action is taken. The union or employees seeking to take industrial action must apply to the AIRC for an order for the vote to occur. The applicant must pay the cost of holding the ballot, but will only be required to pay 20% of the cost if the ballot is conducted by the Australian Electoral Commission.

For industrial action organised by a union to be approved, at least 50% of union members at the business must vote, and more than 50% must vote in favour of taking the industrial action.

For industrial action not organised by a union to be approved, at least 50% of employees must vote, and more than 50% must vote in favour of taking the industrial action.

Orders preventing industrial action will be mandatory once the AIRC is satisfied that unprotected industrial action is threatened or occurring. The Commission will have to

hear such an application within 48 hours. Third parties affected or likely to be affected directly or indirectly will be able to seek such orders.

Employers must not pay an employee during any industrial action, with a minimum non-payment period of 4 hours, regardless of whether the action was for a shorter duration.

There will be no requirement to obtain a certificate from the AIRC prior to seeking a remedy in the civil courts against unprotected industrial action.

The AIRC does not have jurisdiction to arbitrate under a workplace agreement dispute resolution procedure.

In relation to breaches of the Freedom of Association provisions, the reverse onus of proof does not apply in relation to interim injunctions i.e. there is no presumption that the conduct was engaged in for a prohibited reason.

## **11. Transitional Arrangements for State Awards and Agreements**

Current State certified agreements which apply to constitutional corporations will transition to agreements known as “preserved State agreements” when Work Choices commences and continue until terminated under the State legislation, or replaced by a workplace agreement. Where certified agreements are underpinned by awards, those award conditions are deemed to be conditions of the agreement.

State awards will transition to “notional agreements” (between the relevant employers and employees) for 3 years, then expire. It seems employees of corporations will revert to the Australian Fair Pay and Conditions Standard unless they become bound by an award or workplace agreement.

Any clauses in State awards and agreements that contain prohibited content (discussed in section 6) will be unenforceable.

Current Federal awards continue as transitional awards for 5 years, subject to earlier revocation.

Current Federal certified agreements and AWAs continue until terminated under the old legislation, or replaced by a workplace agreement.

Employers who are not constitutional corporations but are currently in the Federal system will have their award or agreement recognised for up to 5 years. During this time the employers may decide to incorporate and be covered by the Work Choices laws, or revert to the relevant State system.

## WELFARE AND WORK

**Julia Perry, UNSW**

**Workshop Presentation**

### **Population aged 15-64 and the Labour Market**

- Full-time employed 51%
- Part-time employed 21%
- Unemployed 4%
- Not in labour force 24%
- Income support - about 20%

### **Implications**

- Economy booming, demand for labour high
- Unemployment low
- Ageing population means workforce not increasing
- Workers more bargaining power
- Wages rise – 2% rise in minimum wage over recent years (much greater rises in top salaries)

### **Old Argument – 5 Economists**

- Not enough demand for labour
- Industrial relations system keeps wages and conditions up
- Wages too high to be cost effective
- Unemployment high
- Need to change IR system, cut wages, employ low skilled
- Government should pay supplement to low paid workers

### **Welfare to Work Changes 1 July 06**

- Sole parents lose pension when child 8 (16 at present)
- If child aged 6-7 must seek work
- Partnered parents lose payment when child 6
- DSP for people with impairment if can't work 15 hours a week (was 30) at award wages for 2 years, without support
- If could work after training, education, rehabilitation - no DSP (as now but tougher)
- Existing recipients stay on old rules (except some)

### **Newstart**

- Have to seek work – 10 jobs a fortnight
- For these groups – at least 15 hours a week
- (Training allowed but not education)

- Have to take job offer, whatever wage
- Can't leave job voluntarily
- Can't be sacked for misconduct
- Penalty – 8 weeks no pay = \$1600 to \$1800
- SO – no power to negotiate wages, conditions

### **Pension to Newstart**

- Lower rate (except home schoolers, foster carers)
- Tough income test – minimal benefit from earnings
- Tough assets test, liquid assets waiting period
- Activity test

### **Government Arguments**

- Mantra: Better to have a job than be on welfare
- But not all will get jobs, or can work
- Survey: 82% DSP, 74% PPPS would prefer to work
- But would prefer not to have disability or be sole parent as well
- Prefer to have some choice over what job to take

### **Exemptions**

- If no 'appropriate' child care or supervision during required working hours, including travel time (parent has a say in appropriate)
- 'unreasonably difficult travelling time'
- 6 months after leaving relationship if domestic violence
- child has physical, intellectual or psychiatric disability or illness
- Foster carers
- Home schoolers, distance education
- Other general or individual exemptions can be made

### **Particular Issues**

- Newstart doesn't allow full-time education
- If part-time education, must look for full-time work
- If full-time education, must go to Austudy
- Austudy doesn't allow part-time education
- Austudy rates worse than Newstart
- So no 15 hour education option in new law
- Assessment of disability
- Number of hours – could be up to 25
- What if parent partially incapacitated
- How many jobs a fortnight?

## WELFARE AND WORK

**Julia Perry, UNSW**

My talk is two-fold – first a simple description of the links between labour economics, industrial relations changes and welfare to work changes, then a description of the implications of the latter for parents and people with disabilities.

At June this year, Australia had the highest proportion of the population in employment since records have been kept. Seventy-two percent of people aged 15-64 were employed and only 4% of the proportion of the working age population were unemployed, the lowest since 1981. The other 24% were not employed and not classed as looking for work. The number of people on Newstart (unemployment benefits) has been falling steadily.

All that should be very good news, but the employers are worried. When we are down to the last 4 per cent unemployed, they are more often people with characteristics employers aren't keen on – low skills, too young, too old, those with some level of disability, or with family responsibilities, those in the wrong place or the long-term unemployed. If the pool of unemployed people gets too small, and employers have to compete for them, the bargaining power of workers increases and workers can be more choosy about the pay and conditions they'll accept.

Furthermore, the ageing of the population means that there will be slower growth in the population of workforce age, further limiting the pool of available labour.

In the current market conditions, wages have been increasing, not only those at the top of the labour force who have been getting extraordinary wage and salary increases, but also steady increases for those at the bottom of the wage scales. The Prime Minister keeps referring to the fact that under his Government minimum wages have been increasing and this is true. But I wouldn't be too sure that that was the Government's intention.

During the twenty-five years of high unemployment levels, economists argued that wages should be allowed to fall to let the unemployed get jobs, and that the industrial relations award system was not flexible enough to allow this. The most well known of these arguments was the model put forward by a group called the Five Economists, who argued that wages should fall to reduce unemployment and that low paid workers should be compensated by a government-funded income subsidy.

During the Keating Government, and the early years of the Howard Government, there was a series of industrial relations changes to increase flexibility, none of which, according to the hardline economic rationalists, went far enough.

Now that the Howard Government has total control of the Parliament, it has the power to bring in really radical industrial relations changes. Employers will be able to offer new employees individual agreements that are below award wages and conditions, as long as they meet the minimum hourly wage and four other statutory conditions. Small business will be able to dismiss employees without giving reason, provided they are not breaking anti-discriminatory laws. The Government's advertisements, which tell you what will be protected by law, merely list those few entitlements workers already had that will not be removed.

But of course there is a problem. Much of the support for freeing up the labour market through abolishing the industrial relations standards, right and safeguards has been based on reducing high unemployment. These changes do not benefit employers much if unemployment is low and the employees have the bargaining power. All the measures to reduce the scope for unions to bargain for their members only go so far, if other employers are competing for workers.

This is where the welfare to work changes come in.

The changes we are discussing today are

- Parenting Payment – for sole parents and partnered parents whose partner is on very low income or on an income support payment – will cut out when the child reaches 8 for sole parents or 6 for partnered parents (not 16 as now). Sole parents with a child aged 6-7 will have to look for work.
- Disability Support Pension will be payable to people with a continuing inability to work 15 hours a week at award wages (not 30 as now), without substantial support for 2 years, but not if training, education or rehabilitation could fit them to work within 2 years.
- The groups cut off by these changes (Parents with a child under 16 or people with disability able to work 15 but not 30 hours) who apply for Newstart will be required to seek work of at least 15 hours a week.
- To some extent existing Parenting payment and DSP recipients will stay on.

Ann Harding will discuss the financial implications of these changes. I'll talk about the activity test requirements

People on Newstart or Youth Allowance are required to look for work, are required to take a job that is offered to them, may be required to work for the dole and are not able to get Newstart for a period if they leave a job voluntarily or are sacked for misconduct. The penalties are still very steep – 8 weeks non-payment period for people in these circumstances, which means reductions in payment up to \$1800 for sole parents. At those income levels, that is an unaffordable loss.

Under these terms Newstart recipients do not have the ability to hold out for jobs with better wages and conditions than any they are offered. They are compelled to take the job they're offered. So in order for the industrial relations changes to be effective in driving down wages and conditions, the plan is to increase the numbers on Newstart.

I should note that there is plenty of research to show that people with disabilities and women, particularly mothers, are paid less than other workers in equivalent jobs even when they can do them just as well. With the removal of all the existing safeguards, awards etc they will be hit particularly hard.

Ministers keep repeating the mantra that it's better to have a job than be on welfare. Maybe, but many will not find jobs, and many face other barriers that might mean they are not in a position to work. The Government's calculations certainly do not assume all these people will get work. It is also a lot better to combine part-time earnings with part pension than with part Newstart.

I am strongly in favour of measures to help people to find paid work. The Welfare to Work program also provides extra employment services, including some targeted to parents and people with disabilities, and extra child care places, and this is good. But those things can work without forcing people onto Newstart.

The availability of pensions doesn't stop people working. Thirty per cent of Parenting Payment Single people are already in work voluntarily. Half of all sole parents are employed, even though they have a choice to claim PPS instead. Ten per cent of Disability Pensioners have earnings and it is not known how many people with equivalent disability are not claiming the pension.

Minister Andrews (4 November) says surveys found that 82 per cent of jobless disability support pensioners and 74 per cent of jobless Parenting Payment Single recipients would prefer to work. No doubt, but they'd prefer not to have disability and other barriers to work as well.

I should note here that raising children is work, and has a very high value to society, even if it's not paid work. This is something many men and childless women don't seem to grasp. Adele Horin reported last week that the DEWR was keen for parents required to work to be 'recruited as family day carers.' Apparently looking after some one else's children is 'work', but looking after your own isn't. I thought maybe sole parents could swap children and pay each other, and that way they'd both meet the work test.

But the Newstart activity test means that for two more groups of vulnerable people, the Government will take the decision away from them about what sort of paid work they will or could take on. And following the industrial relations changes, we can expect some pretty harsh wages and conditions to be offered for many of these jobs.

Getting down to the nitty gritty of the changes and issues. I only had a short time yesterday to go through the 187 page explanatory memorandum (I only got to page 87) so these are just some of the issues.

### **Exemptions**

Parents leaving a relationship who have suffered domestic violence can have a 6-month exemption from the activity test.

There are reviewable exemptions – if a child has a physical, intellectual or psychiatric disability or illness and the person could not be expected to meet the activity test for the period.

'Registered and active' foster carers, home educators (or distance educators) and 'people covered by regulations', possibly large families. I believe that these three groups will be eligible for a top-up in their payment to pension levels but could not check the details of whom that applies to.

I could not find an exemption for a parent who is also partially incapacitated.

## Other Issues

### *Education*

At the moment, the policy is that you can't be in full-time education on Newstart<sup>1</sup>. If you are in part-time education you have to look for full-time work. If you are in full-time education Austudy is available, but there is no accompanying change to allow parents or people with a disability to do 15 hours education to meet their requirements.

Ann Harding says that 80% of jobless sole parent pensioners have no post-school qualifications, and many did not complete year 12. Disability pensioners are probably in the same boat. An OECD study I did once, showed that education was the single most important factor in whether a sole parent was employed, in Australia and the other countries I studied. So I think it is vital to have an education option to get the majority of these people into good, stable jobs.

### *Assessment of Disability*

The assessment of disability is already highly problematic and of course one of the major reasons for appeals. Objectively, disability ranges enormously in type, severity and combinations. Some are intermittent and fluctuate unpredictably. Subjectively people with the same disability vary in their pain thresholds, resilience, social and family support, and access to aids, medication and treatment. Access to transport to get to work is a big problem.

Then the interaction between types of work and types of disability is very complex.

The refinement into 15 hours and 30 hours capacity to work will make this worse.

Assessments will be contracted out and done by 'para-medical professionals', whatever that means. How will they really be able to get it right across the board? The individual person is the best one to decide what job they could take on, but when the choice is removed, this is not possible.

I remind you that, under the new IR system, an employer can demand a medical certificate from a person who takes even one day off sick.

The assessment of disability is based on a notion of ability to work at award wages. What if the employer isn't offering award wages but a minimal individual agreement instead? If the assessment says you can work at award wages but the employer says

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<sup>1</sup> A person satisfies the activity test if (Centrelink, Job Network approves or directs them to):

(A) undertake a course of vocational training; or

(B) participate in a labour market program; or

(BA) participate in a rehabilitation program; or

(C) participate in another [approved] course, which is likely to improve the person's prospects of obtaining suitable paid work or assist the person in seeking suitable paid work.

because of your disability he won't pay you that? Do you get breached for not taking the job?

***Number of Hours***

Despite the talk about the 15-hour work test, the new legislation allows for parents of people with disabilities to be required to work up to 25 hours at the discretion of the Job Network/Centrelink.

***Transitional Provisions***

People on DSP at May 2005 can stay on after the changes in July next year. If they came on between May 2005 and June 2006 they will be reviewed.

Existing parenting payment recipients can remain until the child turns 16, unless (a) they leave the payment for more than 12 weeks or (b) they change from single to partnered or vice versa. These provide pretty severe disincentives to re-partner or get a job. If you're planning to leave a relationship, do it before July next year.

## Conclusions

<p><b>1. Savings slugged and family and other payments ‘clawed back’ by the Liquid Assets Waiting Period.</b></p> <p>Waiting periods which do not apply to Disability Support Pension or Parenting Payment (Single) will apply to both the ‘parent dole’ and the ‘disability dole’ by making them use up hard earned savings and by clawing back a wide range of Government family and other payments before getting welfare. On average this is likely to cost parents and people with disabilities a further \$1,800.</p> <p>Where a parent or a person with a disability claims Newstart Allowance after 1 July 2006 they may have to wait up to 13 weeks before they can receive the new ‘parent or disability dole’. If they have ‘liquid assets’ above \$2,500 (as a single person) or \$5,000 (for a couple or a single person with a child), they will have a one-week waiting period for each \$1000 over these limits, up to a maximum of 13 weeks. This measure is particularly harsh on women leaving relationships because of domestic violence.</p>	No change.
<p><b>2. Less money per week from basic payment.</b></p> <p>From 1 July 2006, parents (whose youngest child is 6 or more) and people with disabilities (who can work between 15 and 29 hours pw) will be shifted to Newstart Allowance and will be \$29 a week lower than the base rate of Parenting Payment (Single) or \$46 a week less than the base rate of Disability Support Pension.</p>	No change.
<p><b>3. Financial disincentives to work: – harsher income test and steeper withdrawal rates for earnings.</b></p> <p>A pensioner can earn \$62 a week (the ‘income free threshold’) before the pension reduces by 40c for every \$1 earned. A person on the new Newstart Allowance can earn only \$31 a week (the ‘income free threshold’) before allowance reduces by 50 cents for every \$1 earned up to \$125 a week, and 60 cents for every \$1 earned over this amount.</p> <p>A single parent on Newstart Allowance working 15 hours a week on minimum wages, would be \$92 a week worse off than a similar person on Parenting Payment (Single) – due to the lower base rate, and the harsher income test. If they do find work, the harsh Newstart Allowance income tests mean that the returns from work for parents working 15 hours a week are equal to just \$3.88 an hour for parents and only \$2.77 an hour for people with disabilities.</p>	No change.

<p><b>4. Financial disincentives to work: – no indexation of the amount a person can earn before payment is reduced.</b></p> <p>The threshold for earnings (or the ‘income free area’) for pensions is indexed annually according to CPI. However, the threshold for Newstart Allowance is not indexed and has remained at virtually the same rate for 30 years. Pension ‘free area’ is now \$62 pw, twice that of Newstart Allowance at only \$31 pw.</p>	No change.
<p><b>5. Financial disincentives to work: – less favourable indexation of rates.</b></p> <p>Pensions are indexed by CPI or MTAWWE whichever is the higher. Under this formula, pensions will increase by a further \$13 a week more than allowances by 2008-09, with the difference between the two payments increasing to \$42 a week.</p>	No change.
<p><b>6. Financial disincentives to work: – punishingly high rates of Centrelink debt recovery.</b></p> <p>Where a person on a Centrelink payment who owes money to Centrelink finds work, they could lose another 27.5 cents in each dollar they earn on top of the 67 cents tax and income test loss. The effect of moving a person with a Centrelink debt from a pension payment to a lower rate of Newstart Allowance, which reduces the returns from work and takes no account of the number of children, is an extraordinarily punishing regime <b>where a person could lose 94.5 cents in every dollar earned.</b> Six percent of people on ‘working age’ Centrelink payments (an estimated 600,000 people) have a debt to Centrelink.</p>	No change.
<p><b>7. Financial disincentives to work: – public housing tenants to pay an extra 25 cents in rent for every \$1 earned.</b></p> <p>Around 20 percent of public housing tenants are on Parenting Partnered (Single), as are 26 percent of those on the Disability Support Pension. Most State governments charge 25 percent of any earnings as rent (with many State Housing Authorities increasing this to 30%). Some States quarantine a small portion of earnings from the rental assessment.</p> <p>In addition to the 67 cents in each dollar effective tax rate that others on Newstart Allowance will face, a public housing tenant will lose a further 25 cents of each earned dollar in increased rent.</p>	No change.

<p><b>8. Denial of pension for parents who cannot work because of the disabilities of their children</b></p> <p>Only 1,000 parents are currently eligible for the pension payment called Carer Payment (child) and two out of three claims are rejected. There are 104,000 people receiving Carer Allowance (a non-means tested payment of \$46 pw for children with severe disabilities). We estimate some 20,000 of these parents who will be moved onto the new lower paying 'parent dole' (Newstart Allowance) will not be able to look for or find work because of the disability of their child. They will be on the lower payment without work prospects for ten years.</p>	<p>The Government has announced the extension of Carer Payment (child) for an additional 4,000 of these parents. This is welcome and desirable but in no way sufficient. The remainder should also be able to stay on a pension level payment.</p>
<p><b>9. Foster parents ignored and placed on 'parent dole'.</b></p> <p>Foster children do not count to give a foster parent eligibility for Parenting Payment (Single) (PPS). An estimated 2,500 single parents will be placed on the lower rate of Newstart Allowance and will have activity requirements to look for up to 15 hours work per week even though they will have the care of a foster child who is under 6. Parents of foster children under 6, most of whom have very high needs, should not be placed on the lower Newstart Allowance and forced to look for part-time work.</p>	<p>The Government announced that foster parents would be able "to seek temporary exemptions from" activity requirements. However, this possible exemption does not address the ineligibility of foster parents for Parenting Payment Single.</p>
<p><b>10. Reduced financial support to study and less money to live on.</b></p> <p>Parents and people with disabilities who wish to study full-time will have to transfer onto Austudy Payment, which is \$10 a week less than Newstart Allowance and \$60 a week less than Parenting Payment. In addition, a person on Austudy Payment is not eligible for Rent Assistance (unless they also receive Family Tax Benefit A) and are not eligible for the Pensioner Education Supplement of \$31 a week, which is meant to help with the additional costs of study such as books, stationery and transport. Further, JET Child Care Subsidies to help with the high costs of child-care, will be limited to one year.</p> <p>The outcome will be that parents and people with disabilities will find it virtually impossible to get the skills that they need to improve their employment prospects and break out of long term poverty.</p>	<p>No change.</p>
<p><b>11. Tough new suspension regime.</b></p> <p>Where a person falls foul of the rules three times in a year, they could lose all of their payment for 8 weeks. Parents and vulnerable people will be required to attend fortnightly interviews with Centrelink in order to get funds for bills and food released, but may not have any money to attend this interview. Unclear about how the promised list of vulnerable clients (eg homeless people) who are supposed to be exempt from the threat of suspension, will work. This is likely to affect between 20 and 30 people every day.</p>	<p>No change to this aspect of the suspension regime although there appear (details have not been published) to be some necessary changes to some other aspects of the proposed regime.</p>

<p><b>12. Flawed savings provisions.</b></p> <p>On Budget night, parents were promised they would remain eligible for Parenting Payment if on payment already, until their youngest child turned 16. However, since Budget night, the Government has reduced these ‘grandfathering’ or ‘savings’ provisions. If a person goes off payment for more than 12 weeks for any reason (eg, taking a job, attempted reconciliation with ex-husband, etc), they will come back on to the lower Newstart Allowance rather than the pension as promised. Up to 50,000 parents are likely to be affected over three years.</p>	<p>No change.</p>
<p><b>13. Exemptions from activity testing.</b></p> <p>Legislated exemptions from activity test requirements are needed for people in a number of circumstances including: large families, recent victims of domestic violence, parents and people with disabilities in rural and remote areas and parents with children with disabilities. People exempted from activity requirements have no prospect of obtaining employment and therefore should remain on the higher-level pension payment.</p>	<p>The Government announced that “parents with special family circumstances can seek temporary exemptions” from activity requirements. “Primary carer parents such as foster carers, distance educators, home schoolers or people with large families or a disabled child may, at times, need to focus fully on their caring responsibilities.”</p> <p>These <b>temporary exemptions</b> will not be set out in legislation but rather will be in departmental ‘guidelines’.</p> <p>These exemptions from activity requirements will <b>not</b> be accompanied by return to the higher pension level payment.</p>

## SOLE PARENTS AND PEOPLE WITH DISABILITIES: DISTRIBUTIONAL EFFECTS OF THE WELFARE TO WORK CHANGES

**Ann Harding**

**Director, National Centre for Social and Economic Modelling (NATSEM),  
University of Canberra**

**Workshop Presentation**

### Which people with disabilities are affected?

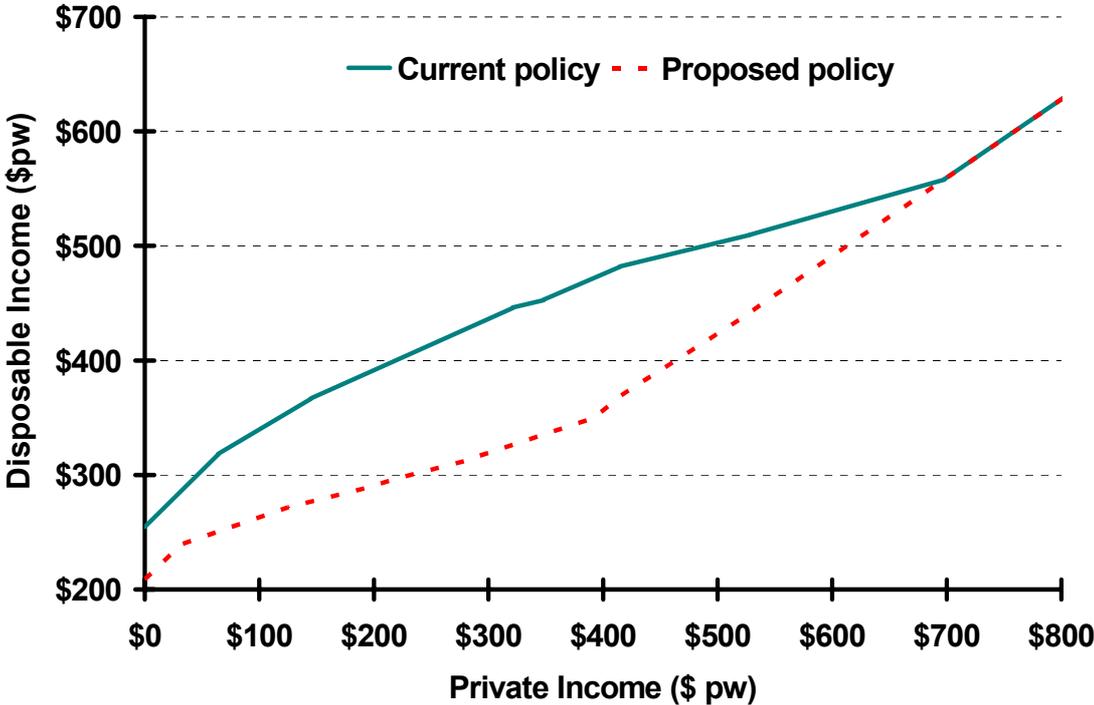
- Those on disability support pension (DSP) before 1 July 2006 generally to remain on 'pension'
- Those with disabilities applying after 1 July 2006 who are assessed as being able to work 15-29 hours a week to be placed on Newstart (or YA)
- Newstart has lower payment rate, harsher income test and is taxable.

### Differences between DSP and Newstart\*

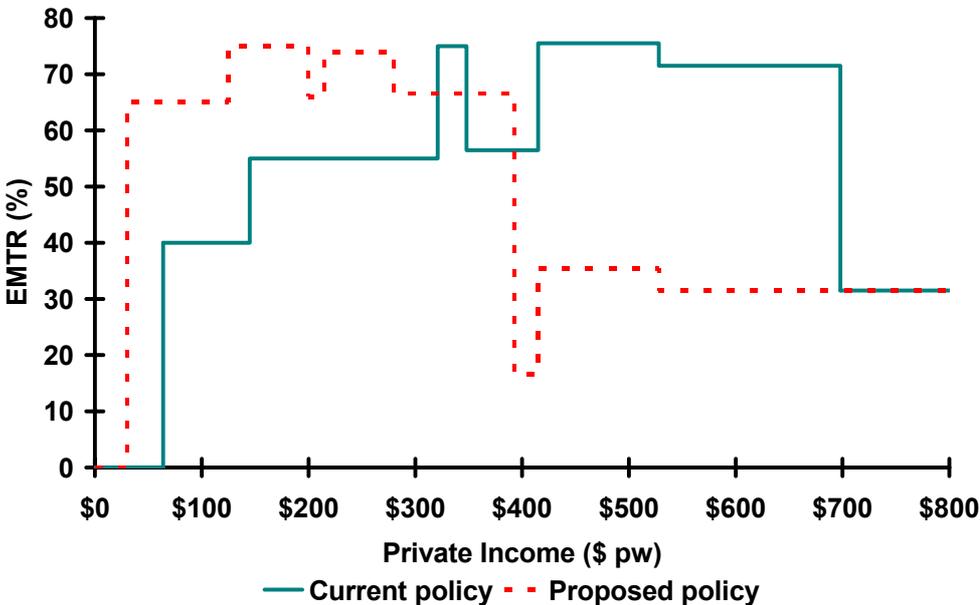
	DSP	NSA	Difference
	\$ pw	\$ pw	\$pw
Payment rate	\$257	\$211	-\$46
Amount of income that can be earned before payment is reduced	\$64	\$31	-\$33
Withdrawal rate for each \$ of private income above this threshold	40%	50%	10%
Second income test threshold	Na	\$125	
Withdrawal rate for each \$ of private income above this threshold	40%	60%	20%
Income support cuts out when private income reaches this point (cut-out point)	\$706	\$398	-\$308

\*All figures include \$2.90 pw of Pharmaceutical Allowance (excluded in later figures)

Disposable income of single person with disabilities, 2006-07

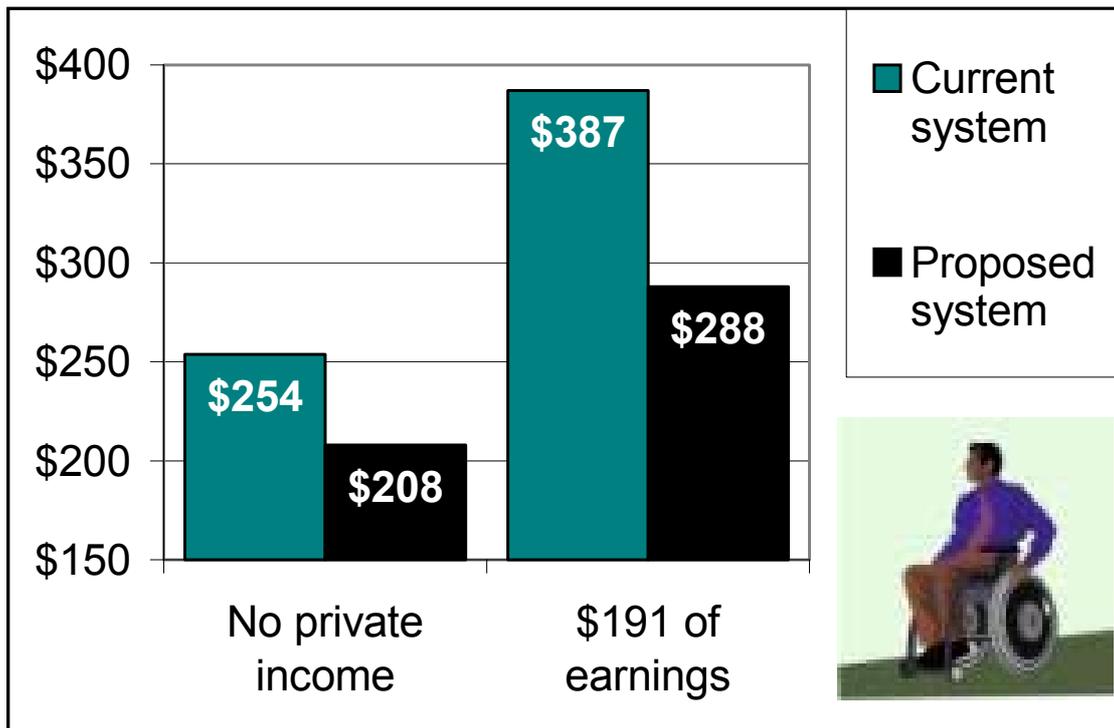


EMTRs of single person with disabilities 2006-07\*



\*EMTR of 65% means that a person keeps 35 cents from an additional dollar of earnings

### Lower take home incomes for people with disabilities



#### Recently announced changes:

- Some redefinition of what constitutes a suitable job  
< 60 mins travel time  
Travel costs < 10% of gross wage

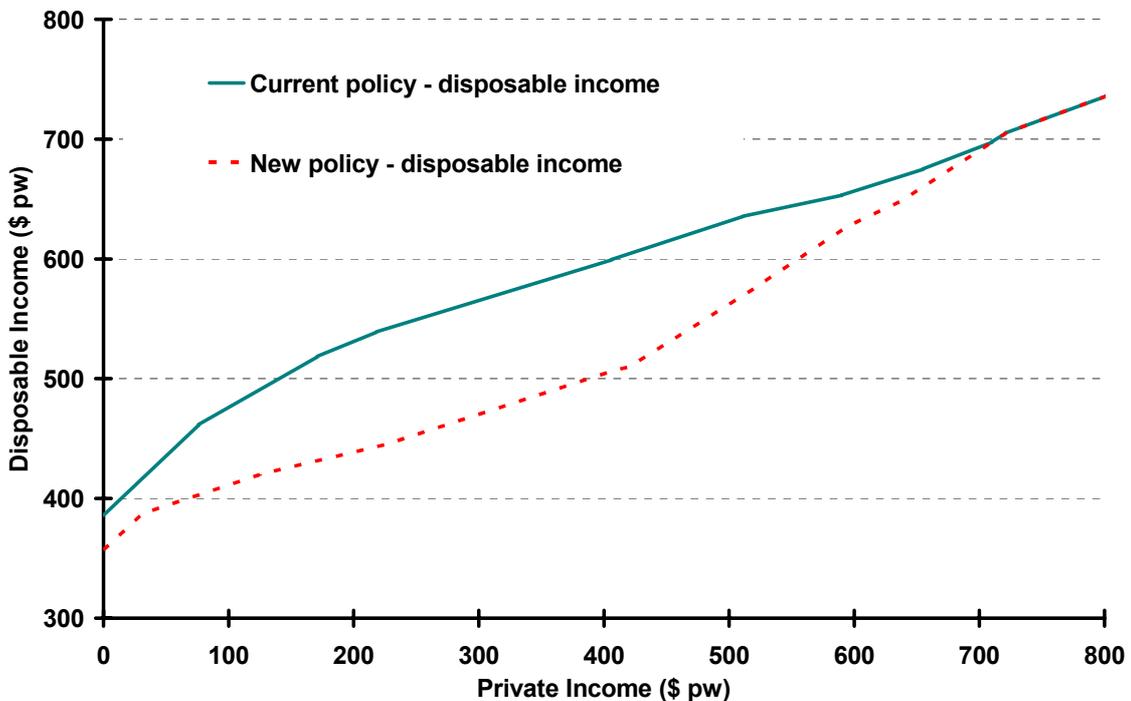
#### Which sole parents affected?

- Those on Parenting Payment Single before 1 July 2006 remain pensioners
- Those commencing after 1 July 2006:  
Go on PPS if youngest child aged < 8 years  
Moved onto Newstart when youngest child turns 8  
Start on Newstart immediately if youngest child aged 8 yrs +

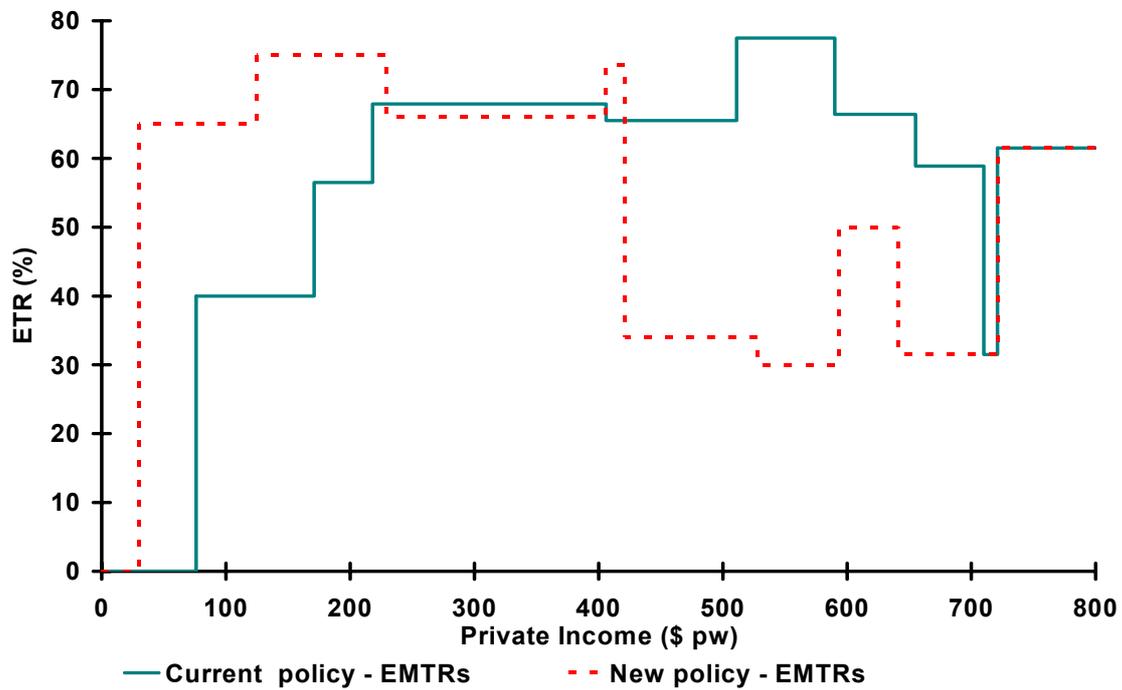
Differences between PPS and Newstart

	Parenting Payment Single	Newstart Allowance	Difference
	\$ pw	\$ pw	\$pw
Payment rate for those with one child	<b>\$257</b>	<b>\$228</b>	<b>-\$29</b>
Amount of income that can be earned before payment is reduced	<b>\$76</b>	<b>\$31</b>	<b>-\$45</b>
Withdrawal rate for each \$ of private income above this threshold	<b>40%</b>	<b>50%</b>	<b>10%</b>
Second income test threshold	<b>na</b>	<b>\$125</b>	
Withdrawal rate for each \$ of private income above this threshold	<b>40%</b>	<b>60%</b>	<b>20%</b>
Income support cuts out when private income reaches this point (cut-out point)	<b>\$718</b>	<b>\$426</b>	<b>-\$292</b>

Disposable income of sole parents with one child aged 8+, 2006-07

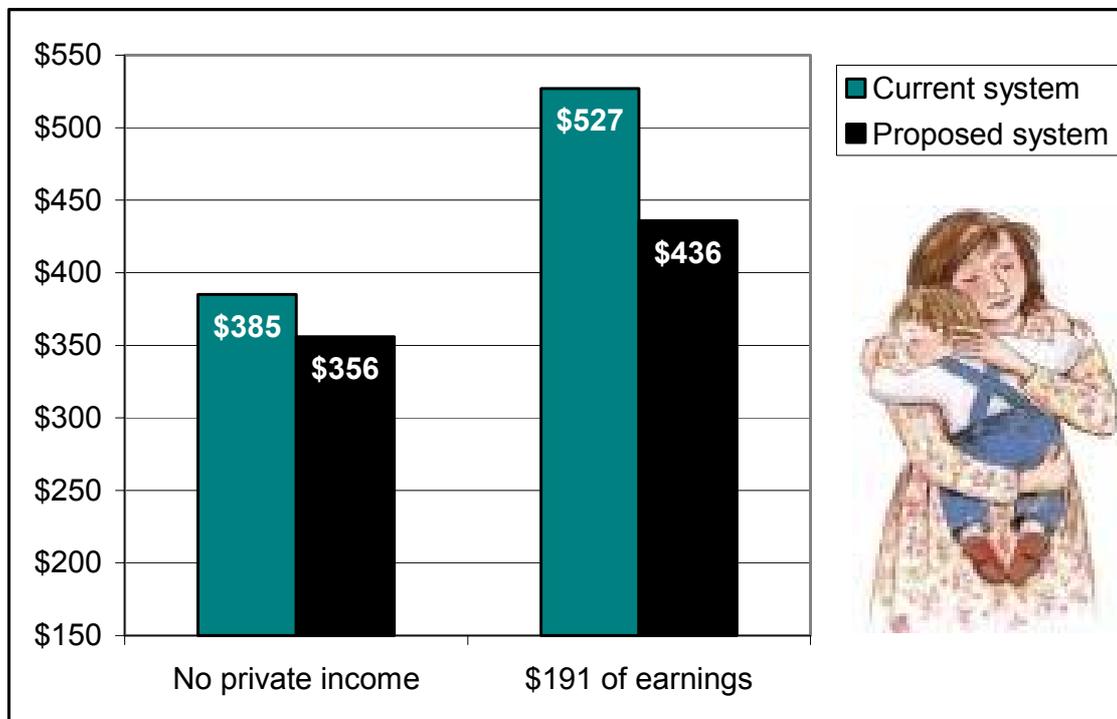


**EMTRs of sole parents with one child aged 8+, 2006-07 \***



\*EMTR of 65 % means that person keeps 35 cents from an additional dollar of earnings

**Lower take home incomes for sole parents with 1child 8yrs+, 2006-07**



**Changes to original policy:**

- Carers of children with severe disabilities to go on 'carer payment'
- Age of youngest child lifted from 6 to 8 years
- 'Suitable jobs' defined
  - < 60 mins travel time, travel costs < 10% gross wage
  - No appropriate child care or if costs of care make job 'financially unviable'
- 'Exempt' parents to receive special income supplement (taking them up to pension payment rate)
  - Foster carers, home schoolers
  - Almost no-one affected by this

**Conclusions**

- Newstart regime produces relatively low returns from paid work (high EMTRs)
- Newstart regime also much harsher than 'pension' in other ways
  - assets test
  - job search
- If sole parents and disabled people only find part-time work, they will face 'poverty traps'
  - Keep \$80 from \$191 of earnings
  - Govt keeps other \$111

**THE DISTRIBUTIONAL IMPACT OF THE PROPOSED  
WELFARE TO WORK REFORMS UPON SOLE PARENTS AND  
PEOPLE WITH DISABILITIES**

**National Centre for Social and Economic Modelling  
University of Canberra**

**Ann Harding, Quoc Ngu Vu and Richard Percival**

This paper was originally presented at the 34<sup>th</sup> Conference of Economists, University of Melbourne, 28 September 2005

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### **About NATSEM**

The National Centre for Social and Economic Modelling was established on 1 January 1993, and supports its activities through research grants, commissioned research and longer term contracts for model maintenance and development with the federal departments of Family and Community Services, Employment and Workplace Relations, Treasury, and Education, Science and Training.

NATSEM aims to be a key contributor to social and economic policy debate and analysis by developing models of the highest quality, undertaking independent and impartial research, and supplying valued consultancy services.

Policy changes often have to be made without sufficient information about either the current environment or the consequences of change. NATSEM specialises in analysing data and producing models so that decision makers have the best possible quantitative information on which to base their decisions.

NATSEM has an international reputation as a centre of excellence for analysing microdata and constructing microsimulation models. Such data and models commence with the records of real (but unidentifiable) Australians. Analysis typically begins by looking at either the characteristics or the impact of a policy change on an individual household, building up to the bigger picture by looking at many individual cases through the use of large datasets.

It must be emphasised that NATSEM does not have views on policy. All opinions are the authors' own and are not necessarily shared by NATSEM.

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## 1. Introduction

In the May 2005 Budget the Federal Government announced a range of proposed welfare to work measures, to take effect from 1 July 2006. Against the backdrop of projected slower rates of workforce growth in the future due to population ageing (Productivity Commission, 2005), the Government is keen to encourage labour force participation. In addition, reducing welfare dependency and increasing employment is seen as likely to improve the lifetime incomes and economic well-being of welfare recipients, as well as boosting economic growth for Australia as a whole. Earlier research by NATSEM and AMP, for example, has shown clearly that many baby boomers have not yet saved sufficient to finance a comfortable retirement – and that this problem is particularly acute for baby boomer women (Kelly and Harding, 2002; Kelly et al, 2002; Kelly, Farbotko and Harding, 2004).

Among the numerous measures announced in the Budget were significant changes in the income support policies for sole parents and people with disabilities. Currently, sole parents with a qualifying child aged less than 16 years who meet various income and asset tests can receive Parenting Payment Single (PPS), which is subject to the *pension* income test and payment rate rules. Those sole parents who are in receipt of PPS prior to 1 July 2006 will continue to remain on that payment and be subject to the ‘pension’ income test (which is more generous than the ‘allowance’ income test), until their youngest child turns 16. However, new compulsory work obligations will be imposed on this group from the later of 1 July 2007 or when their youngest child turns six. These new obligations will be satisfied by working part time for a minimum of 15 hours a week or by searching for part-time work and participating in Job Network or other services.<sup>1</sup>

The major changes are for those sole parents who apply for income support after 1 July 2006. Those who have a child aged less than six years will still be eligible to receive PPS. However, as soon as their youngest child turns six, they will be transferred to Newstart Allowance (NSA) and be subject to an obligation to seek part-time work of at least 15 hours per week. Those whose youngest child is aged six years or more at the time of application will be placed straight onto Newstart and be obliged to seek part-time work of at least 15 hours a week.

Moving to people with disabilities, under the current system those with physical, intellectual or psychiatric impairment at a sufficient level to make them unable to work for at least 30 hours a week (or undertake training that would equip them for work) for at least the next two years are able to receive Disability Support Pension (DSP). DSP is also subject to the *pension* income test and payment rate rules. Under the proposals, those people with disabilities who are in receipt of DSP prior to 1 July 2006 will generally continue to remain on that payment and be subject to the

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<sup>1</sup> The Government also announced new spending of \$390 million over four years to help increase employment amongst parents of school aged children, including a new Employment Preparation service.

'pension' income test.<sup>2</sup> Current DSP recipients who give work a go will have a right to return to DSP within two years if they start a job but are unable to sustain it for any reason (Dutton, 2005a). Those people with disabilities who apply for income support after 1 July 2006 who are assessed by the new 'comprehensive work capacity assessment' as being able to work 15 to 29 hours per week at award wages in the open labour market will be required to seek 15 hours or more of part-time work a week and will be placed on NSA or Youth Allowance.

While the 'grandfathering' provisions mean that sole parents or people with disabilities who are currently on pensions will remain on them, the proposed changes will have a significant impact on those sole parents and people with disabilities who apply for income support after 1 July 2006. NSA provides a lower payment rate than PPS and DSP, and it has a much less generous income test. As a result, in the future many sole parents with school age children and many people with disabilities will receive much lower incomes than under the current rules. In addition, the returns from paid work will be much lower than currently.

Section 2 of this paper analyses the impact upon sole parents of the proposed reforms, including a description of the current and new payment structures and analysis of the changes in the disposable incomes and effective marginal tax rates of affected sole parents. Section 3 repeats the analysis for people with disabilities, while Section 4 concludes.

## 2 Impact on Sole Parents

### *The PPS and NSA Programs*

There is inevitably some uncertainty about the exact payment rates for NSA and PPS that will apply in 2006-07, as they depend upon future trends in average weekly earnings and the consumer price index. The following estimates are based on NATSEM's latest projections of these indexes. Using slightly different assumptions about earnings and price changes would slightly change the results. Our modelling is also based on the Government's current statements about the structure of income support after 1 July 2006 (Andrews, 2005a, 2005b). However, as the legislation has not yet been introduced, it is possible that there may be minor changes to some of the programs and parameters that have fed into our modelling.

Sole parents with one child and no private income receiving PPS are expected to receive about \$257 a week on average in PPS in 2006-07 ('Private income' means income from sources other than government cash transfers, such as earnings.) (Table 1). A crucial factor is the amount of private income that they can receive before their income support payment is reduced. In 2006-07, a sole parent with one child on PPS will be able to earn \$76 a week without any reduction in the income support they receive. For every dollar of income they earn above this threshold, their payment from

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<sup>2</sup> The exception is people applying for DSP between 11 May 2005 and 30 June 2006, who will be assessed for DSP under the existing 30 hours test but be reassessed in periodic reviews against the 15-29 hours test after 1 July 2006. Those able to work 15 to 29 hours per week will be shifted to Newstart and be required to seek work.

## EXPOSURE DRAFT FOR CONSULTATION

government is reduced by 40 cents. This is also the payment rate and income test that will face those sole parents who apply for PPS after 1 July 2006 *and* have a youngest child aged less than six years.

The proposed payment rate and income test for new sole parents whose youngest child is aged six years and over is also summarised in Table 1. They will be placed on NSA, which is expected to average \$228 a week in 2006-07. This is \$29 a week less than the PPS payment rate. In addition, they will be able to earn only \$31 a week before their income support payment begins to be reduced. That is, their 'free area' will decline sharply relative to the current rules, by about \$45 a week. The first \$94 of private income above that \$31 a week 'free area' will reduce their NSA by 50 cents for every dollar of private income above the free area. Once they reach the second income test threshold of \$125 a week, this withdrawal rate will increase further, with their allowance rate being reduced by 60 cents for every additional dollar of earnings. In other words, once their private incomes reach \$125 a week, they will keep a maximum of 40 cents out of each additional dollar of private income, until they reach the 'cut-out point' where they receive no further allowance from government.

The NSA income test is thus much more restrictive than the PPS income test, and this is reflected in the very different 'cut-out points' shown in Table 1. Sole parents with one child on PPS will be able to earn up to around \$718 per week before their entitlement to income support is extinguished. Sole parents with one child on NSA will only be able to earn up to about \$426 a week before their entitlement to income support is extinguished.

This means that income support will cease at a much lower level of earnings for those subject to the new NSA test than for those on the existing PPS. For those with more than one child the difference will be even greater, as the 'free area' for PPS is increased by a further \$12.30 per child per week for each child after the first, whereas the 'free area' under NSA does not vary with the number of children.

Sole parents receiving NSA will clearly receive lower payments and face a harsher income test than those on PPS: however there are also other, less obvious, factors that will adversely affect them relative to PPS recipients. One is that pensioners (who include PPS recipients) qualify for the Pensioner Tax Offset. The aim of the tax offset is to ensure that no tax is payable by a pensioner whose assessable income consists of the pension and around \$144 a week of non-pension income. In 2006-07, some tax reduction will be received by PPS recipients whose taxable income is less than about \$35,000. In contrast, the Beneficiary Tax Offset (which ensures no tax is payable by maximum rate allowance recipients with up to \$31 a week of private income – and begins to be withdrawn when private income is above \$31 a week) means some tax reduction will be received by sole parent NSA recipients whose taxable income is less than about \$27,500. Thus, the reduction in income tax liabilities allowed is much greater for pensioners than for allowance recipients.

**Table 1 Summary of the Newstart Allowance and Parenting Payment Single Payments for Sole Parents with One Child, 2006-07<sup>a</sup>**

	Parenting Payment Single (PPS)	Newstart Allowance (NSA)	Difference
	\$ pw	\$ pw	\$pw
Payment rate for those with one child	\$257	\$228 <sup>b</sup>	-\$29
Amount of income that can be earned before payment is reduced	\$76	\$31	-\$45
Withdrawal rate for each \$ of private income above this threshold	40%	50%	+ 10%
Second income test threshold	na	\$125	
Withdrawal rate for each \$ of private income above this threshold	40%	60%	+20%
Income support cuts out when private income reaches this point (cut-out point)	\$718 <sup>c</sup>	\$426 <sup>c</sup>	\$292

<sup>a</sup> These are the estimated averaged payment rates and thresholds that will apply in 2006-07. The actual payment rates vary at various points throughout the financial year, in line with indexation arrangements. All figures rounded to nearest whole dollar.

<sup>b</sup> This includes \$2.90 a week of Pharmaceutical Allowance, which the Government has said will also now be paid to Newstart Allowees who are sole parents.

<sup>c</sup> This includes the effect of the \$2.90 a week of Pharmaceutical Allowance.

Source: Specially created version of STINMOD/05A

A second issue is the receipt of the Pensioner Concession Card. PPS recipients are automatically entitled to a Pensioner Concession Card, which many organisations use as a 'passport' to a range of concessional prices for such services as property charges and taxes, energy, water, transport, education, health, car registration, housing and recreation services and so on. While such services are often provided by State and local governments, many private sector businesses also use the possession of a Pensioner Concession Card as the trigger for lower prices for such diverse services as movie tickets and shoe repairs. Similarly, doctors may often bulk bill those with Pensioner Concession Cards, so that they do not have to pay any additional co-payment.

The Government has stated that those sole parents who are shifted to NSA under the proposed new arrangements will retain the right to a Pensioner Concession Card. However, as Table 1 makes clear, eligibility for NSA for sole parents will cease at a much lower level of private income than eligibility for PPS. As a result, there is a wide range of private income of almost \$300 a week over which those sole parents who would formerly have qualified for the Pensioner Concession Card will apparently not qualify under the new rules.

Most such sole parents will still receive a Health Care Card, via their receipt of maximum rate Family Tax Benefit Part A, but some concessions are provided by

## EXPOSURE DRAFT FOR CONSULTATION

State and local governments and other organisations *only* to those with Pensioner Concession Cards and not to those with Health Care Cards. In Victoria, for example, Pensioner Concession Card holders (but *not* Health Care Card holders) qualify for an additional municipal rates concession of up to \$160 a year and an additional transport accident charge concession of up to about \$170 a year. Thus, the loss of these three items alone could reduce the effective income of some sole parents by some \$6 a week. However, the value to sole parents of the Health Care Card or the Pensioner Concession Card have *not* been included in the following analysis of their disposable incomes.

As well, under the existing NSA arrangements sole parents would no longer be eligible for the Pensioner Education Supplement. This supplement is currently worth \$31.20 a week.

### ***Disposable Incomes***

Figure 1 traces the impact upon the disposable incomes of sole parents who would qualify for PPS under the current rules but will qualify for NSA under the proposed new rules. Thus, the graph shows the impact upon those sole parents whose youngest child is aged six to 15 years and who commence receipt of income support after 1 July 2006. For simplicity, the figure abstracts from the precise point in the year at which sole parents become eligible for the payments and simply shows the estimated averages for the entire 2006-07 year.

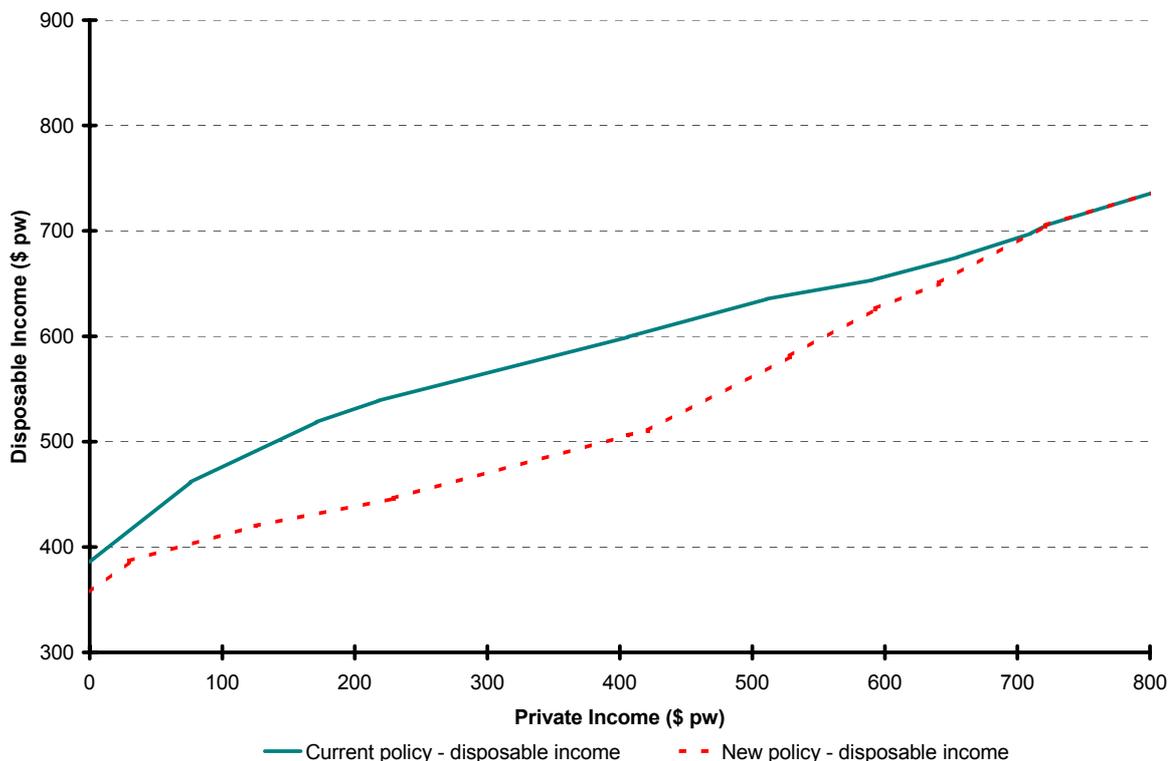
*Disposable income* means the income that sole parents have left in their pockets to spend each week, after the receipt of any income support and/or private income, the payment of income tax and Medicare levy (net of the various tax allowances such as the pensioner tax offset and the low income tax rebate). The figure does not take any account of any possible child care costs or rebates or the possible impact of rising private income levels on such factors as consequent increases in public housing rents. The value of the Pensioner Concession Card is also not included.

As clearly shown in Figure 1, the disposable incomes of sole parents with one child aged six years and over are much lower under the proposed new system than under the current system over a very broad range of private income. The losses sustained by sole parents amount to almost \$100 a week when earnings are between about \$200 and \$450. As shown in Table 2, for example, the proposed new reforms reduce the 'take-home' incomes of sole parents with one child and earnings of \$200 a week from \$531 under the current system to \$439 under the proposed new system – a cut of \$92 a week. This effectively represents a 17 per cent cut in the living standards of these sole parents and their children. It should perhaps be mentioned again that cuts of this magnitude will be experienced almost overnight by sole parents when their youngest child turns six.<sup>3</sup>

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<sup>3</sup> It should be noted here that under the existing system sole parents are transferred from Parenting Payment Single to Newstart Allowance when their youngest child reaches the age of 16 years. Thus, 'overnight' cuts in income are also a feature of the current system – but 10 years later than is proposed for the new scheme.

**Figure 1** Disposable income of sole parents with one child aged 6 years or over under current and proposed systems, 2006-07



Source: Specially created version of STINMOD/05A. PA excluded from all calculations (see footnote to Table 2)

At low levels of private income, there is about a \$30 a week difference between the proposed new and existing systems, due to the difference between the maximum rates of pension and allowance. At the other end of the spectrum, above around \$700 a week, there is no difference in the incomes of sole parents under the proposed new and current systems because, beyond this point, they are not receiving any income support. Between these points, disposable incomes of sole parents are lower under the new system than under the current system, primarily because of the stricter income test applying to NSA but also because of the less favourable tax concessions for allowees compared with pensioners.<sup>4</sup>

<sup>4</sup> Sole parents with two and three children have higher disposable incomes than those with only one child, due to the receipt of additional Family Tax Benefit Part A payments. Moreover, at most income ranges, the losses that those with two and three children will experience under the new system are slightly higher than for those for one child due to the additional ‘free area’ per child of \$12.30 per week allowed under the Parenting Payment Single income test. More detailed analysis can be found in Harding et al (2005a).

EXPOSURE DRAFT FOR CONSULTATION

**Table 2      Impact of proposed new system on disposable incomes and EMTRs of sole parents with various levels of earnings, 2006-07**

Private Income	Disposable Income			Effective Marginal Tax Rates		
	Current System	New System	Change	Current System	New System	Change
	\$ pw	\$ pw	\$ pw	%	%	Percentage point
<b>One child aged 6 years and over</b>						
\$0	385	356	-29	0	0	0
\$50	435	394	-41	0	65	65
\$100	476	411	-64*	40	65	25
\$150	506	426	-79*	40	75	35
\$200	531	439	-92	57	75	18
\$300	565	470	-95	68	66	-2
\$400	597	504	-93	68	66	-2
\$500	632	562	-70	66	34	-32
\$600	656	629	-27	66	50	-16
<b>Two children aged 6 years and over</b>						
\$0	468	439	-29	0	0	0
\$50	518	477	-41	0	65	65
\$100	563	494	-69	40	65	25
\$150	593	509	-84	40	75	35
\$200	617	522	-96*	57	75	18
\$300	651	553	-98	68	66	-2
\$400	683	587	-96	66	66	0
\$500	717	645	-72	66	34	-32
\$600	750	714	-36	78	30	-48

*Note:* Averaged 2006-07 payment levels have been used. All dollar figures rounded to nearest dollar. All EMTRs rounded to nearest one per cent. Note that we have been unable to simulate the receipt by sole parent Newstart Allowees of Pharmaceutical Allowance within the time frame allowed for this project. Pharmaceutical Allowance (PA) has a particularly complicated income test and is also non-taxable. To make a fair comparison between the current and proposed systems, we have excluded Pharmaceutical Allowance from the calculations in both the current and proposed new world. However, this exclusion makes little difference, as the payment is only worth \$2.90 a week and is received by sole parents in both the current and proposed new systems if they are in receipt of income support. Thus, the *difference* between the two systems is in most cases not affected by this exclusion. It should be noted that Pharmaceutical Allowance is also excluded in Figure 1.

For simplicity, in this Table and in Figure 1, it is assumed that the sole parents are not receiving any child support. As such child support is received in both the existing and proposed new systems, and affects only Family Tax Benefit Part A entitlement rather than income support payments, this makes no difference to the results.

\* The \$pw changes in disposable incomes may not exactly equal the difference between the two figures due to rounding.

*Source:* Specially created version of STINMOD/05A

### ***EMTRs***

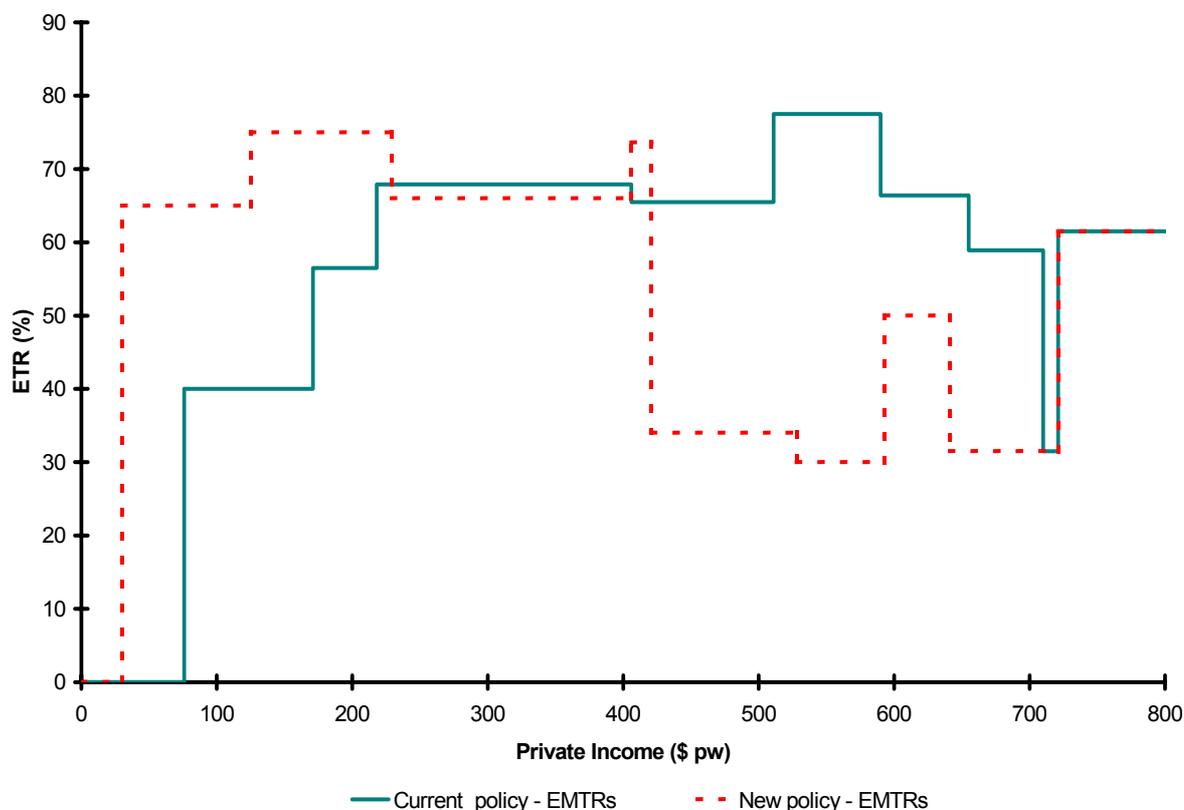
When announcing the Welfare to Work Budget changes, Minister Kevin Andrews noted that ‘these changes are designed to assist, support and encourage parents to return to work when their children are old enough to go to school’ (Andrews 2005a). One of the factors affecting the workforce incentives of sole parents is the effective marginal tax rate that they face. An effective marginal tax rate (EMTR) measures how much of an additional dollar of earnings sole parents actually keep, after taking account of the various income tests associated with social security and family payments, the payment of income tax and the receipt of various tax allowances and rebates. An EMTR of 70 per cent means that the ‘disposable’ or ‘take-home’ income of a sole parent will increase by only 30 cents when earnings increase by \$1.

The EMTR graph shown in Figure 2 takes no account of the possible *increased costs* associated with rising earnings, such as increased transport or child care costs. It also takes no account of possible ‘knock on’ effects to programs or services not administered by the Federal Government, such as rent payments for public housing tenants or State and local government concessions. As a result, the EMTRs can probably be regarded as being somewhat lower than those that will face sole parents in the real world. As explained above, this is because we have at this stage probably over-estimated how much of each additional dollar of earnings many sole parents will actually retain to improve the welfare of themselves and their children, primarily by taking no account of any increased costs associated with working.

For sole parents with one child aged six years and over, the EMTRs faced at lower levels of private income (that is, earnings) are generally higher under the new system than under the existing system. Sole parents with weekly private incomes between around \$31 and \$76 a week face an EMTR of 65 per cent under the new system, compared with a zero EMTR under the current system. That is, for each additional dollar of earnings in this range, sole parents will keep only 35 cents under the new system, compared with 100 cents under the existing system.

Sole parents with one child with private incomes between \$76 a week and \$125 a week will also face substantially higher EMTRs under the proposed new system – 65 per cent under the new system compared with only 40 per cent under the current system. That is, each additional dollar of earnings in this range net sole parents 25 cents less under the new system than under the existing system.

**Figure 2 EMTRs facing sole parents with one child aged 6 years or over under current and proposed systems, 2006-07**



Source: Specially created version of STINMOD/05A. PA excluded from all calculations (see footnote to Table 2).

Why do sole parents face a 65 per cent EMTR when their private income ranges between \$31 and \$125 a week under the proposed new system (compared with either a 0 or 40 per cent EMTR under the current system)? This effect is due to ‘income test stacking’, with sole parents facing a 50 per cent EMTR due to the allowance income test plus a 15 per cent EMTR due to a combination of the effective withdrawal of the ‘allowance tax offset’ and the payment of income tax. The ‘pensioner tax offset’, in contrast, is withdrawn at the lesser rate of 12.5 per cent and only from a private income level which is almost five times higher than that for the beneficiary tax offset (\$31 of private income per week for allowees versus \$144 of private income per week for sole parent pensioners). Thus, one of the less obvious implications for sole parents of the proposed changes is that they will be subject to the harsher allowance tax offset under the new system rather than the more generous pensioner tax offset which applies under the current system.

Private incomes between \$125 a week and \$171 a week are again subject to much higher EMTRs under the proposed new system – 75 per cent under the new system compared with only 40 per cent under the existing system. Thus, the current system allows sole parents to keep an extra 35 cents out of every additional dollar of income that they earn in this range, relative to the proposed new system.

Put another way, over this income range the rewards to sole parents for working are almost twice as high under the existing system as under the proposed new system.

## EXPOSURE DRAFT FOR CONSULTATION

The particularly high EMTRs under the new system are due to the allowance withdrawal rate rising from 50 to 60 per cent, with this being stacked on top of the effective withdrawal of the allowance tax offset and the payment of income tax.

Under the NSA regime, sole parents with a weekly income of just above \$420 cease receiving any allowance and their EMTRs fall to those facing standard taxpayers. Their EMTRs of 34 per cent consist of the 30 per cent payable through the standard income tax schedules plus the 4 per cent withdrawal of the Low Income Tax Offset (LITO). Once the LITO withdrawal finishes, their EMTRs remain at 30 per cent until they start paying the Medicare levy, at \$594 of private income. Where private incomes range from about \$230 to just over \$400, those sole parents under the existing system face higher EMTRs than those under the proposed system, as sole parents under the existing system face one or more of the 40 per cent pension income test withdrawal, the 30 per cent tax rate, and the withdrawal of the LITO and the pensioner tax offset.

What do the higher EMTRs facing sole parents with one child under the proposed new regime mean in practical terms? Those sole parents receiving NSA with private incomes ranging between \$31 a week and \$420 a week face EMTRs of 65 per cent or more. This is substantially higher than the top marginal income tax rate of 48.5 per cent (including Medicare levy) paid by the most affluent taxpayers in 2006-07 – that is, those whose taxable incomes exceed \$125,000 a year. As shown below, the impact of these high EMTRs is to ensure that the financial benefits from work are very low for sole parents receiving NSA.

Our earlier analysis has shown clearly that those sole parents who are receiving PPS and do not currently have jobs are a particularly disadvantaged section of the labour market (Harding et al, 2005b, p. 205). A striking 80 per cent have no post-school qualifications – and the wages that they can expect to command will thus be relatively low.

The recently announced minimum wage is \$484 for a 38 hour week, or \$12.74 an hour. Suppose we examine the likely impact of the proposed new system on a sole parent with one child on NSA who manages to find a 15 hour a week job that thus satisfies the proposed new work obligations and for which the pay is \$191 a week (\$12.75 an hour multiplied by 15 hours). Under the current system, this sole parent will keep \$142 of this \$191, thus substantially increasing the amount of income they have to support themselves and their child after moving from no paid work to the 15 hours of paid work. Under the proposed new system, this sole parent will experience only an \$80 a week increase in their take-home income. In effect, the Federal Government will be the major beneficiary of this sole parent being required to undertake 15 hours of paid work a week. Thus, while the sole parent will keep \$80 a week of their \$191 a week of earnings, the Government will take the other \$111, via reduced NSA and increased income tax payments.

If we follow an example recently used by the Government and compare a sole parent on PPS with no private income with a sole parent on Newstart Allowance earning \$191 a week, the difference in disposable income is only \$51 a week. (This is the difference between the \$436 shown in the black column below and the \$385 shown in

## EXPOSURE DRAFT FOR CONSULTATION

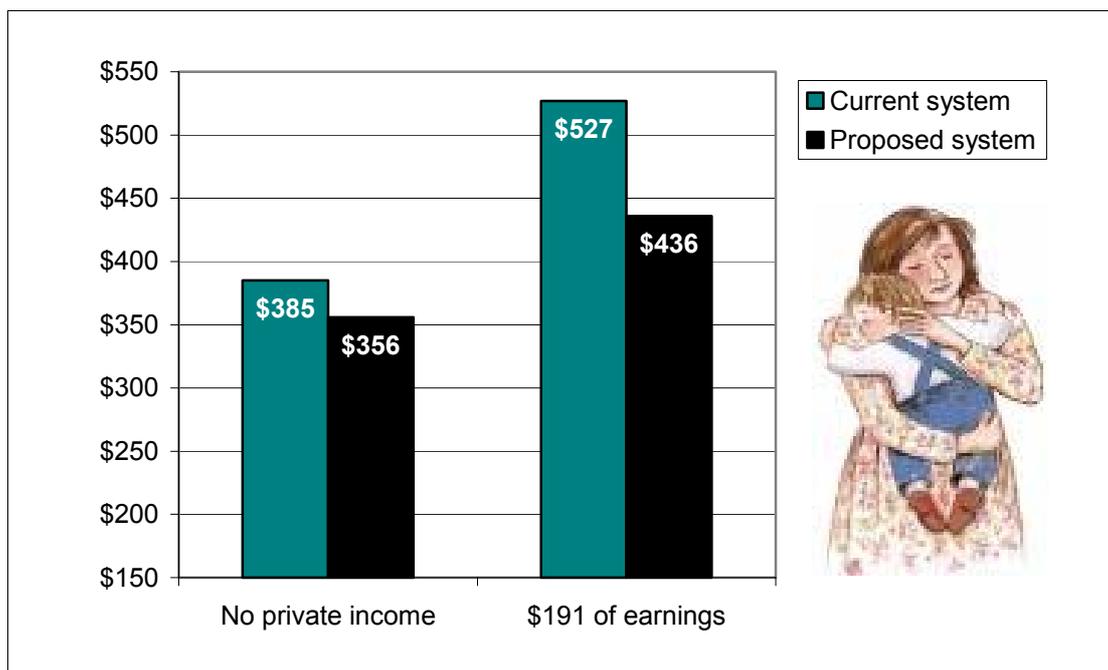
the green column below). This \$51 gain represents an effective return of \$3.40 for each of the 15 hours of work.<sup>5</sup>

And making the assumption that the sole parent on NSA will actually experience this \$51 gain assumes that the costs of work are zero and that there are no ‘knock on’ effects to other income-tested programs. Public housing tenants generally pay 25 per cent of their gross income in rent. In the example given above, the gross income of the sole parent increases by \$75 as they move from PPS with no private income to Newstart with \$191 a week of earnings. (This equals the \$51 gain mentioned earlier plus the \$24 paid in income tax by the sole parent on Newstart, because public housing rent is assessed against gross rather than ‘after-tax’ income.) As a result, if this sole parent was in public housing, their rent would increase by \$19 a week – further eroding the \$51 gain to only \$32. As shown in Figure 4 below, just under one-third of all those sole parents currently on PPS who do not have jobs are in public housing. On this basis, we can expect that a substantial proportion of sole parents affected by the welfare to work policy will be public housing tenants, and thus face effective tax rates of more than 80 per cent over wide earnings bands. Returning again to our example, if the costs of work for such a sole parent through transport, clothing etc exceed \$31 a week, then the sole parent is no better off on Newstart working 15 hours a week than they are on Parenting Payment Single and not working at all. This underlines how low the gains from paid work can be under the relatively harsh Newstart Allowance income test.

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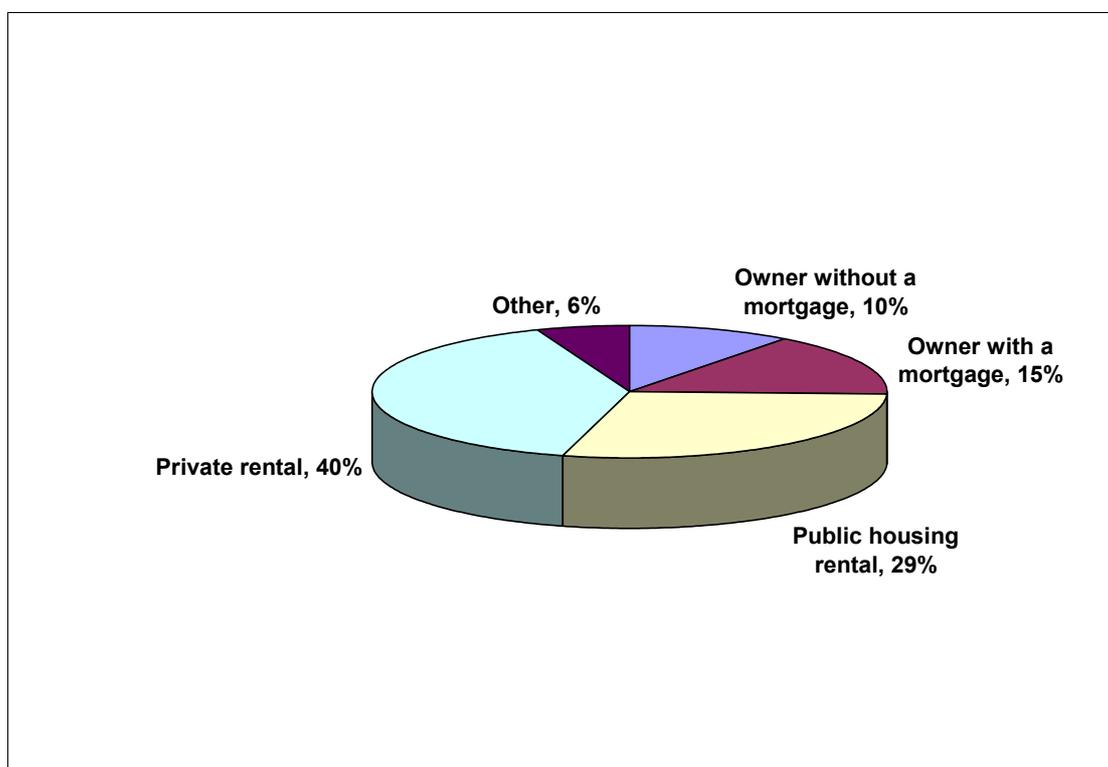
<sup>5</sup> The Minister calculated a \$58 gain, rather than the \$51 shown here, because he used 2005 income support payment rates (Andrews, 2005c). By 2006-07 the gap between the basic rate of Newstart and PPS will have increased by another \$7, due to their different indexation arrangements. (The Minister’s figures also included Rent Assistance, but this is paid in both the ‘before’ and ‘after’ calculations, and thus does not affect the ‘bottom line’ of \$51 a week gain.)

**Figure 3 Disposable income of sole parent under current and proposed system at zero and \$191 a week of earnings, 2006-07**



Note: Sole parent with one child aged six years and over.

**Figure 4 Housing tenure of PPS recipients who do not have a job**



Data source: ABS 2002-03 Survey of Income and Housing Costs confidentialised unit record file

3. Impact on People with Disabilities

### *The DSP and NSA Programs*

As with the payment rates for PPS, the exact payment rates for NSA and DSP that will apply in 2006-07 depend upon future trends in average weekly earnings and the consumer price index. Once again, the following estimates are based on NATSEM's latest projections of these indexes, and our modelling is also based on the Government's current statements about the structure of income support after 1 July 2006 (Dutton, 2005a, 2005b).

Single DSP recipients aged over 20 years age are expected to receive about \$257 a week on average in DSP in 2006-07 (Table 3). Using the same definition of private income as in section 2, a single DSP recipient will be able to earn \$64 of private income a week in 2006-07 without any reduction in the income support they receive. For every dollar of income they earn above this threshold, their payment from government is reduced by 40 cents.

The proposed payment rate and income test for Australians with disabilities that are assessed as being able to work 15 to 29 hours a week are also summarised in Table 3. They will be placed on NSA, which is expected to average \$211 a week in 2006-07. This is \$46 a week less than the DSP payment rate. In addition, they will be able to earn only \$31 a week before their income support payment begins to be reduced. That is, their 'free area' will decline sharply relative to the current rules, by about \$33 a week. The first \$94 of private income above that \$31 a week 'free area' will reduce their NSA by 50 cents for every dollar of private income above the free area. Once they reach the second income test threshold of \$125 a week, this withdrawal rate will increase further, with their allowance rate being reduced by 60 cents for every additional dollar of earnings, until they reach the 'cut-out point' where they receive no further allowance from government.

The NSA income test is thus much more restrictive than the DSP income test, and this is reflected in the very different 'cut-out points' shown in Table 3. Single DSP recipients will be able to earn up to around \$706 per week before their entitlement to part-rate income support is extinguished. People with disabilities on NSA will only be able to earn up to about \$398 a week before their entitlement to income support is extinguished, meaning that income support will cease at a much lower level of earnings for those subject to the new NSA test than for those on the existing DSP.

**Table 3 Summary of the Newstart Allowance and Disability Support Pension Payments for Single Person Aged 21 to 60, 2006-07<sup>a</sup>**

	Disability Support Pension DSP	Newstart Allowance NSA	Difference
	\$ pw	\$ pw	\$pw
Payment rate	\$257 <sup>b</sup>	\$211 <sup>b</sup>	-\$46
Amount of income that can be earned before payment is reduced	\$64	\$31	-\$33
Withdrawal rate for each \$ of private income above this threshold	40%	50%	+ 10%
Second income test threshold	Na	\$125	
Withdrawal rate for each \$ of private income above this threshold	40%	60%	+20%
Income support cuts out when private income reaches this point (cut-out point)	\$706 <sup>c</sup>	\$398 <sup>c</sup>	-\$308

<sup>a</sup> These are the estimated averaged payment rates and thresholds that will apply in 2006-07. The actual payment rates vary at various points throughout the financial year, in line with indexation arrangements. All figures rounded to nearest whole dollar. Both NSA/YA with disabilities and DSP recipients will receive the Pensioner Concession Card, Pharmaceutical Allowance (PA) and Telephone Allowance. NSA/YA recipients with disabilities who are unable to use public transport to undertake job search and take up employment will be able to receive Mobility Allowance of \$50 a week. DSP recipients who cannot use public transport and are undertaking sufficient paid or voluntary work or vocational training or job search activities also receive \$50 a week in Mobility Allowance. Mobility Allowance is not income or asset tested.

<sup>b</sup> This includes \$2.90 a week of PA.

<sup>c</sup> This includes the effect of the \$2.90 a week of PA.

Source: Specially created version of STINMOD/05A

Being put on NSA, people with disabilities will clearly receive lower payments and face a harsher income test than those on DSP. In addition, like the case of PPS, there are also other, less obvious, factors that will adversely affect them relative to DSP recipients. One is that DSP is not subject to income tax. In contrast, both NSA and Youth Allowance are taxable payments. This means that those with earned or other private incomes in addition to their income support are adversely affected by being placed on Newstart rather than DSP. A second issue, outlined earlier in section 2, is the receipt of the Pensioner Concession Card. As Table 3 makes clear, eligibility for NSA for people with disabilities will cease at a much lower level of private income than eligibility for DSP – \$706 vs \$398. As a result, there is a wide range of private income of more than \$300 a week over which those Australians with disabilities who would formerly have qualified for the Pensioner Concession Card will apparently not qualify under the new rules. In addition, it appears that those people with disabilities with private incomes above \$398 a week will not receive a Health Care Card – and thus will lose their right to concessional pharmaceuticals. Those people receiving Mobility Allowance will still receive a Health Care Card, but as seen earlier, some concessions are provided by State and local governments and other organisations *only*

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to those with Pensioner Concession Cards and not to those with Health Care Cards. This further extends the loss of those people with disabilities under the new proposal.

It also appears that the proposed changes will be particularly harsh for those people with disabilities who are engaged in full-time study as part of their preparation for future workforce participation. They will be ineligible for Newstart while undertaking full-time study and will thus be placed on Austudy. While people with disabilities on DSP receive the Pensioner Education Supplement, currently worth \$31.20 a week, it appears that this will not be payable to people with disabilities placed on Austudy. Thus, it appears that a person with disabilities in full-time study and no private income who is placed on Austudy under the proposed new rules will face a very substantial cut in income (relative to the payment they would have received under the current system).

A final issue is that NSA is much more strictly asset-tested than DSP. In 2006-07, a single homeowner with assets of more than \$157,000 loses their entitlement to any NSA. In contrast, a pensioner with assets above this level loses \$3 per fortnight of DSP for every \$1000 by which assets exceed this level. A 50 year old person with disabilities who owns their own flat and who has inherited a \$200,000 house from their parents will thus not be entitled to NSA, but would be entitled to DSP and the Pensioner Concession Card under the current system.

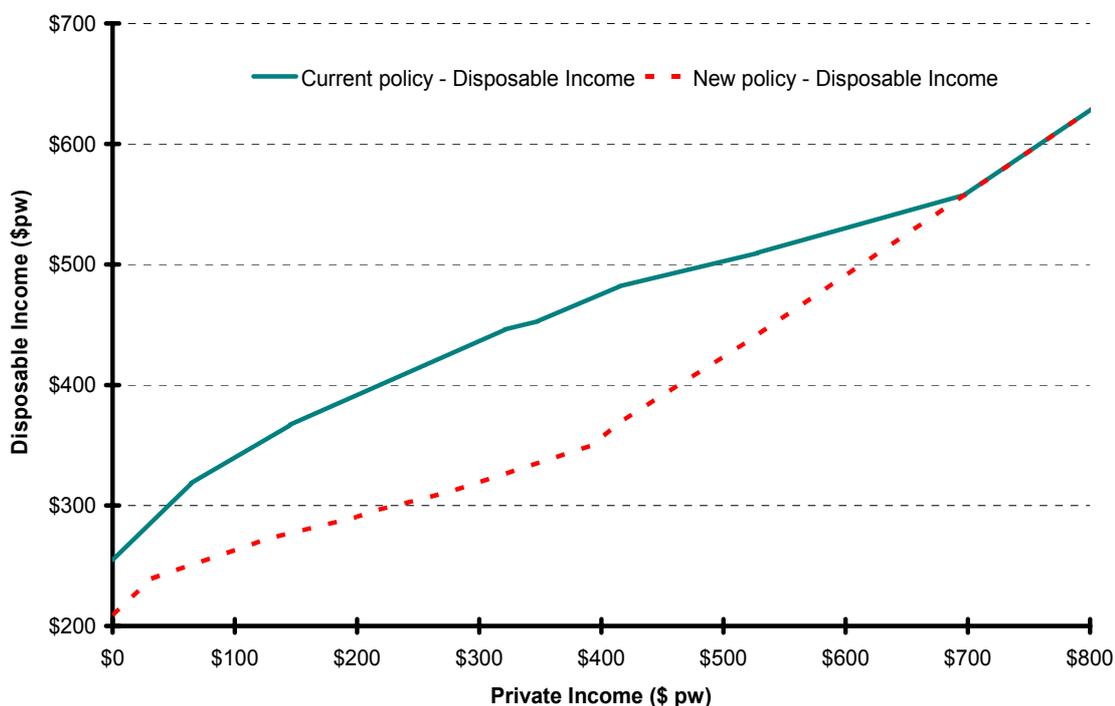
### ***Disposable Incomes***

Figure 5 traces the impact upon the disposable incomes of those with disabilities who would qualify for DSP under the current rules but qualify only for NSA under the proposed new rules i.e. those people with disabilities who are assessed as being able to work 15 to 29 hours per week and who commence receipt of income support after 1 July 2006.<sup>6</sup> As clearly shown, the disposable incomes of single people with disabilities are very much lower under the proposed new system than under the current system over a broad range of private income. The losses sustained by Australians with disabilities amount to more than \$100 a week when earnings are between about \$196 and \$448. The peak loss of \$122 a week is experienced by disabled people with private incomes of \$393 a week. As also shown in Table 4, for example, the proposed new reforms reduce the 'take-home' incomes of Australians with disabilities and private incomes of \$200 a week from \$391 under the current system to \$290 under the proposed new system – a cut of \$101 a week. This effectively represents a 26 per cent cut in the living standards of these people with disabilities.

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<sup>6</sup> Note that if suitable work is not available in the area where the person lives, it appears that they will still be put on NSA rather than DSP. Thus, the test is in their *potential ability* to work such hours, not whether such work is actually available.

**Figure 5 Disposable income of single person with disabilities under current and proposed systems, 2006-07**



Source: Specially created version of STINMOD/05A. PA excluded from all calculations (see footnote to Table 4)

At low levels of private income, there is a \$46 a week difference between the proposed new and existing systems, due to the difference between the maximum rates of pension and allowance for single people. At the other end of the spectrum, above around \$700 a week, there is no difference in the incomes of people with disabilities under the proposed new and current systems because, beyond this point, they are not receiving any income support. Between these points, the disposable incomes of people with disabilities are lower under the new system than under the current system, primarily because of the stricter income test and lower payment rates applying to NSA.

**Table 4 Impact of proposed new system on disposable incomes and EMTRs of single disabled people with various levels of private income, 2006-07**

Private Income	Disposable Income			Effective Marginal Tax Rates		
	Current System	New System	Change	Current System	New System	Change
	\$ pw	\$ pw	\$ pw	%	%	Percentage point
\$0	254	208	-46	0	0	0
\$50	304	245	-58	0	65	65
\$100	339	263	-77	40	65	25
\$150	369	278	-91	55	75	20
\$200	391	290	-101	55	73	18
\$300	436	319	-117	55	67	12
\$400	475	356	-119	57	17	-40
\$500	503	423	-79	76	36	-40
\$600	530	491	-39	72	32	-40

*Note:* Averaged 2006-07 payment levels have been used. All dollar figures rounded to nearest dollar. All EMTRs rounded to nearest one per cent. Note that we have been unable to simulate the receipt by single disabled Newstart Allowees of PA within the time frame allowed for this project. To make a fair comparison between the current and proposed systems, we have excluded PA from the calculations in both the current and proposed new world. However, this exclusion makes little difference, as the payment is only worth \$2.90 a week and is received by disabled people in both the current and proposed new systems if they are in receipt of income support. Thus, the *difference* between the two systems is in most cases not affected by this exclusion.

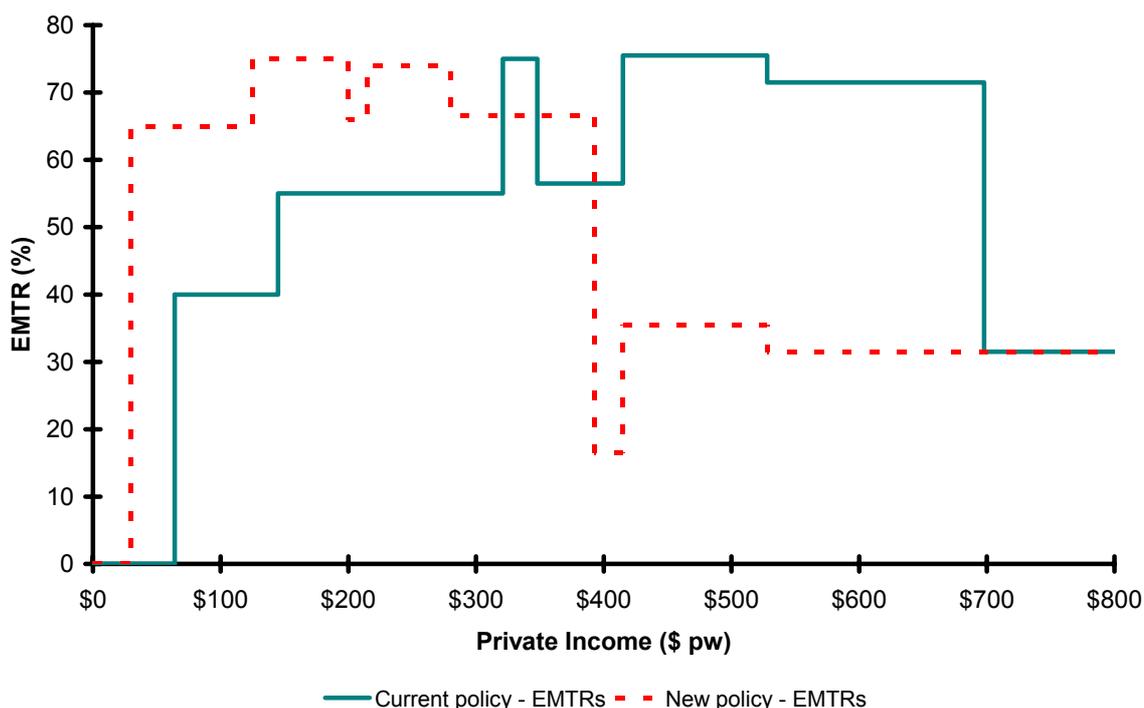
*Source:* Specially created version of STINMOD/05A

***EMTRs***

With the same assumptions as in section 2, Figure 4 shows the EMTR for single people with disabilities under the current and proposed systems. As seen in this Figure, the EMTRs faced at lower levels of private income are generally higher under the new system than under the existing system. People with disabilities with weekly private incomes between around \$31 and \$64 a week face an EMTR of 65 per cent under the new system, compared with a zero EMTR under the current system. That is, for each additional dollar of earnings in this range, people with disabilities will keep only 35 cents under the new system, compared with 100 cents under the existing system.

Australians with disabilities with private incomes between \$64 a week and \$125 a week will also face substantially higher EMTRs under the proposed new system – 65 per cent under the new system compared with only 40 per cent under the current system. That is, each additional dollar of earnings in this range nets 25 cents less under the new system than under the existing system.

**Figure 6 EMTRs faced by single person with disabilities under current and proposed systems, 2006-07**



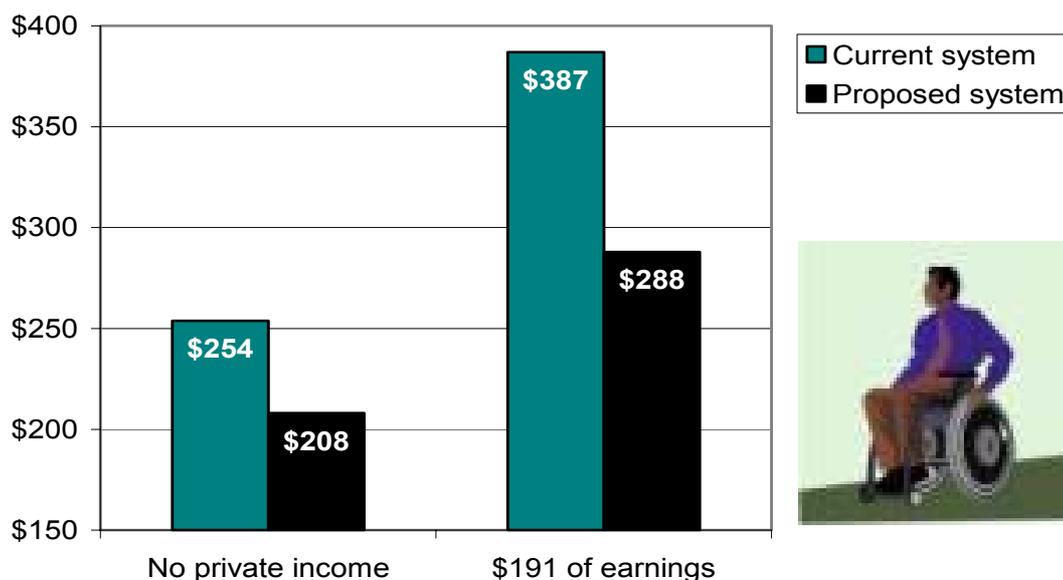
This effect is due to ‘income test stacking’, with recipients facing a 50 per cent EMTR due to the allowance income test plus a 15 per cent EMTR due to a combination of the effective withdrawal of the ‘allowance tax offset’ and the payment of income tax. This tax treatment contrasts with the much more favourable tax treatment given to those on DSP, with DSP being non-taxable. Thus, one of the less obvious implications for people with disabilities of the proposed changes is that they will be subject to the harsher allowance tax offset under the new system rather than the more generous DSP tax provisions which apply under the current system.

Private incomes between \$125 a week and \$200 a week are again subject to much higher EMTRs under the proposed new system – 75 per cent under the new system compared with only 40 or 55 per cent under the existing system. The Medicare levy shade-in range ends at \$280 a week of private income, at which point the EMTRs faced by people with disabilities under NSA fall to 66.6 per cent, where they remain until eligibility for NSA ceases at around \$393 a week.

The EMTRs of 65 per cent or more over the private income range between \$31 and about \$393 a week makes the financial benefits from work very low for those people with disabilities receiving NSA. Returning to our earlier example of a person working

15 hours a week for the minimum wage, we find that the disposable income of a person with disabilities on Newstart and earning \$191 a week is only \$36 a week higher than that of someone on DSP with no earnings or private income (\$288 minus \$254 – figure 7).<sup>7</sup> This is an effective return of \$2.40 for each of the 15 hours of paid work.

**Figure 7 Disposable income of person with disabilities under current and proposed system at zero and \$191 a week of earnings, 2006-07**



Source: Harding et al (2003c)

And, as argued earlier, this \$34 a week gain assumes that the costs of work are zero and that there are no knock-on effects to other programs, such as public housing rent increases. According to the 2002-03 ABS Income Survey, 19 per cent of DSP recipients who do not currently have a job are in public housing. Thus, returning to our \$34 a week gain scenario, in perhaps one-fifth of cases we might expect these

<sup>7</sup> Using the same example, Minister Kevin Andrews argued that a person with disabilities working 15 hours a week for \$191 would be \$92 a week better off than a person on DSP with no paid work (Andrews, 2005d). To reach this conclusion, the Minister assigned the person on Newstart a Mobility Allowance of \$50 a week. It is debatable whether this is the most appropriate approach, given that only some people with disabilities on NSA (namely, those ‘who cannot use public transport without substantial assistance’) will be eligible for this payment. Similarly, while Mobility Allowance was not given to the person on DSP in this example, some of those on the existing DSP payment who are not in paid work but who are undertaking voluntary work or vocational training are eligible for Mobility Allowance. After subtracting \$50 Mobility Allowance from the ‘gain’ of \$92, we are left with \$42 a week. The remaining difference between this \$42 and our \$36 estimate is due to the Minister’s income support rates being for 2005-06, while ours are for 2006-07.

people to face a rental increase of \$15 a week from their public housing authority<sup>8</sup>, further reducing the net gain figure to only \$19 a week. And we still have not included any costs associated with working. Clearly, the costs of work would not have to be very high to result in people with disabilities on Newstart being no better off financially from undertaking paid work than those currently on DSP with no paid work. These calculations also, of course, assume that the value of leisure time is zero, as the relevant income support recipients have exchanged zero hours of work for 15 hours of work plus additional likely travel time.

#### 4. Conclusions

The Government's proposed welfare to work reforms will not directly affect the distributional income or effective marginal tax rates (EMTRs) of those sole parents or people with disabilities who are already in receipt of Parenting Payment Single (PPS) or Disability Support Pension (DSP) on 1 July 2006 and *who remain on that payment*. These sole parents will, nevertheless, face new work obligations if their youngest child is aged six years or more, but they will not be placed on NSA until their youngest child reaches the age of 16 years.

However, sole parents who begin receiving income support after 1 July 2006 will be placed on PPS if their youngest child is aged less than six years – but on NSA if (or as soon as) their youngest child reaches the age of six years.<sup>9</sup> And those persons with disabilities who begin receiving income support after 1 July 2006 will be placed on NSA if they are assessed as being able to work at least 15 hours a week at award wages.

The NSA *maximum payment rate* is about \$29 a week lower than that of PPS, resulting in an immediate loss of this amount of income for those transferred from PPS to NSA when their youngest child turns six. Similarly, the NSA maximum payment rate for a single disabled adult in 2006-07 is \$46 a week lower than that of DSP, resulting in an immediate loss of this amount of income for those placed on NSA rather than DSP. Furthermore, the gap between the two pension rates and Newstart Allowance will increase further in future years, as PPS and DSP are indexed to movement in average weekly earnings, while NSA is indexed to the Consumer Price Index, which is generally lower. As a result, by 2008-09, for example, the maximum payment rate for NSA will be about \$42 a week lower than that for PPS and \$68 lower than that for DSP.

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<sup>8</sup> As noted in the case of sole parents, this is because public housing authorities set rents at 25 per cent of *gross* income (not *after-tax* income). While the disposable income of this person has increased by only \$34 a week, their gross income has increased by \$58 a week. One-quarter of this \$58 is about \$15 a week.

<sup>9</sup> There is now one exception to this. Family and Community Services Minister Kay Patterson announced on 12 September that parents of profoundly disabled children would become newly eligible for Carer Payment. This is a 'pension', which means it has a higher payment rate and more liberal income test than Newstart Allowance. This is effectively the only group that the Government has so far exempted from the move to Newstart from pension.

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The NSA *income test* is also much less generous than the PPS or DSP income test, and the tax treatment of allowees is much less generous than the income tax treatment of pensioners. Taken together, these mean that the losses in take-home income can be as high as \$96.50 a week for sole parents with one child and around \$230 per week of private earnings who are transferred to NSA. The loss increases with the number of dependent children. For example, for sole parents with five children, the maximum losses could reach \$107 a week for those with private incomes ranging from about \$215 to \$290 a week. For disabled people who are placed on NSA rather than DSP, the loss in take-home income can be as high as \$122 a week for single people who earn around \$390 per week of private income.

The other consequence of the more restrictive NSA income test and harsher income tax treatment is to create much higher effective marginal tax rates for sole parents and disabled people than they face under the current PPS or DSP income test. Sole parents and people with disabilities placed on Newstart Allowance will face EMTRs of 65 per cent or more over a broad band of private income ranging from \$31 to about \$400 a week under the proposed new system. For those who are in public housing, the maximum EMTRs faced can exceed 80 cents in the dollar. The overall effect of all these income test and tax changes is thus to reduce the attractiveness of paid work to sole parents and disabled people – and thus to reduce the amount of income that they have available to support themselves and their children after they undertake paid work.

The need to increase the number of workers as our population ages and the long-term improvements in economic well-being that occur with ongoing workforce participation are some of the factors that lie behind the Federal Government's proposed changes. Many will not object to the goal of increasing the labour force participation of sole parents or disabled people. However, in trying to encourage sole parents and disabled people to participate in the labour force, other aspects also need to be taken into account in the proposed policies.

One issue is the short or long term impact on children living in sole parent families. Our analysis suggests that sole parents placed on Newstart Allowance will receive much lower incomes than under the current system. The package of exemptions announced by Minister Andrews on 21 September for a range of sole parents (including those with large families or children with disabilities or those who live in areas where there is no suitable child care) means that these groups will be exempt from the job-hunting requirements – but they will still be placed on Newstart. Their take-home incomes will thus be \$29 a week less than the pension rate in 2006-07, with this gap increasing over time – placing many of them perilously close to or below commonly used poverty lines.

While it is to be hoped that in the longer term many children will be living in sole parent families whose incomes are higher as a result of the expected increases in paid work, in the shorter term many children will be living in sole parent families whose incomes are much lower than under the current income support rules. These concerns could be overcome by allowing sole parents to remain on the existing PPS, rather than transferring them to NSA when their youngest child turns six. Thus, the Government's key goal of encouraging sole parents to work could still be achieved via some form of paid work obligation, but sole parents could remain on an income

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support payment regime that ensured that they and their children were financially much better off after undertaking paid work.

A second issue is the difference in capability and family circumstances of potential job seekers. Some would argue that all potential job seekers should be treated in the same way and placed on NSA. However, this assumes that, for example, a single 34 year old able bodied person with no dependent children has the same capacity to undertake paid work as a 34 year old person with a substantial disability or with two young dependent children. This appears a strong assumption, given the long-term caring responsibilities associated with being a sole parent, and the long-term difficulties encountered by those with substantial disabilities.

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## KEY ISSUES FOR JOB NETWORK IN INCREASING PARTICIPATION OF PARENTS IN THE PAID WORKFORCE

**Phil Murray**  
**Catholic Welfare Australia**

### **Changes to Employment Services Announced in the Budget**

There will be an additional 28,000 places in Job Network earmarked for parents<sup>1</sup>.

However, changes to the Job Seeker Classification Instrument<sup>2</sup> mean that it will be harder for single parents to enter Intensive Support Customised Assistance (ISca), the service funded to support job seekers who face considerable employment barriers.

Only a small number of places in other specialist employment services have been earmarked for parents: about 4,000 places in Personal Support Program and 4,000 in Disability Open Employment Services<sup>3</sup>.

The Transition to Work program is to be replaced with Employment Preparation Assistance (EPA):

- all parents on income support will be eligible for assistance;
- Job Network members will receive up to \$848 per eligible job seeker plus an additional \$300 in Job Seeker Account credits<sup>4</sup>.

### **Achieving Employment Outcomes**

The Job Network's primary role is to assist job seekers into paid employment. For job seekers in Intensive Support there is an emphasis on achieving sustained employment, measured over periods of 13 and 26 weeks – referred to as Employment Outcomes.

The initial challenge for Job Network providers will be improving the job readiness of parents and overcoming the barriers they face such as lack of skills, recent work experience (for those away from the workforce for a considerable time) and access to child care. Some more serious circumstances will be encountered:

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<sup>1</sup> ACOSS 2005, 'Facts about single parent families and welfare', ACOSS Info 380, p.10

<sup>2</sup> Commonwealth of Australia 2005, *Budget Paper No.2*, p.146

<sup>3</sup> ACOSS 2005, p.10

<sup>4</sup> Dutton MP 2005, 'Welfare to Work – Employment Preparation', Budget 2005-06, Office of the Hon Peter Dutton MP, Minister for Workforce Participation, Parliament House, Canberra

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- It is understood that almost half of all single parents on income support have a mental illness, including 20% who have depression<sup>5</sup>;
- Transport will be a significant issue as half of jobless single parents do not own a car<sup>6</sup>;
- Those transferred to Newstart Allowance will have reduced income and may struggle to meet the additional costs of job search, eg clothes, transport, lunches. For instance, a jobless single parent family now spends half of its income on housing, utilities and food compared with one-third for an average Australian family<sup>7</sup>. With lower incomes this will be worse. The Government's recent announcement regarding the two-year extension of the parenting payment is a significant improvement in this aspect.

The subsequent challenge will be negotiating with employers on suitable hours of work that work in with primary care periods for children, and negotiating with child-care providers on hours of care that fit in with work requirements.

Job Network members are paid different levels of Outcome fees for different Outcome types and for different job seeker groups. The type of Outcome attracting the highest fee is one where the job seeker earns income over a 13-week period sufficient to result in 100% removal from Allowance payment - at its basic level this fee is \$1650. An Intermediate Outcome, at its basic level \$550, is paid for reduction of at least 70% of Allowance. Below a 70% reduction, no Outcome fee is payable.

For many parents, especially sole parents, only part-time work will be appropriate and required and this will normally be insufficient to lead to a 100% reduction of Allowance. This created a disincentive for Job Network members to assist the job seeker because the lower Outcome fee would apply. However, the Government has moved to re-establish the incentive by providing the higher level of Outcome fee when "a job seeker is placed in a job that fully meets their participation requirements". There have also been other improvements such as reducing the 70% qualification for an Intermediate Outcome to 60% and allowing for short-term dips in earnings and short-term gaps in ongoing employment.

### **Breaching**

Newstart Allowees are required to meet a range of requirements to remain eligible for allowance. Some exemptions have been announced for parents with special circumstances, eg parents who home-school their children<sup>8</sup>.

Failure to comply with these obligations can lead to penalties which may be considered harsh:

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<sup>5</sup> Butterworth 2003, *Estimating the Prevalence of Mental Disorders Among Income Support Recipients*, Policy Research Paper no.21, FaCS, p.33

<sup>6</sup> ACOSS 2005, p.3

<sup>7</sup> ACOSS 2005, p.2

<sup>8</sup> Andrews 2005b, 'Exemptions Announced for Parents with Special Family Circumstances', Media Release, 21 September, Office of the Hon Kevin Andrews MP, Minister for Employment and Workplace Relations, Media release, Parliament House, Canberra

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- Newstart Allowees can lose benefits for 8 weeks for repeated or serious non-compliance<sup>9</sup>;
- Some parents who have their payments suspended will be ‘case managed’ by Centrelink, but not all parents will automatically receive this assistance<sup>10</sup>.

The impact of the breaching system on single parents moved onto Newstart as a result of the Welfare to Work package will depend to some extent on the approach taken by Job Network providers, but more importantly, Centrelink. Job Network members have responsibility for lodging a Participation Report with Centrelink when job seekers appear to fail to comply with job search and other administrative obligations. Centrelink decides whether a breach has occurred and applies any penalties.

Child-care responsibilities present challenges to complying with provider contact requirements, participating in job preparation activities and attending job interviews. The sensitivity of Job Network members and ultimately Centrelink to these circumstances may have a significant impact on the success of these reforms.

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<sup>9</sup> Andrews 2005a, ‘New Welfare Compliance Framework: Firm but Fair’, Media Release, 21 September, Office of the Hon Kevin Andrews MP, Minister for Employment and Workplace Relations Media release, Parliament House, Canberra

<sup>10</sup> Hansard, Senate Employment, Workplace Relations and Education Legislation Committee, Budget Estimates, Monday, 30 May 2005, p.EWRE163

## WOMEN WITH DISABILITIES STILL 'AT A LOSS'

**Sue Salthouse**

**Women with Disabilities Australia**

In starting, as a mark of respect, I would like to acknowledge the ancestors of the Ngunawal nation and their descendants on whose land we stand today.

The work of the last couple of months has been rewarding and exhausting, but I (and WWDA) are thrilled to have been part of the women's consortium. We would like to thank all those who have put in so much time and effort, especially NATSEM who have extended the greatest generosity in persevering to produce three valuable reports for us.

We now have the *Workplace Relations Amendment (Work Choices) Bill 2005*, before Parliament, and as of Wednesday 9 November, the introduction of the *Employment and Workplace Relations Legislation Amendment (Welfare to Work and Other Measures) Bill 2005* and the *Family and Community Services Legislation Amendment (Welfare to Work) Bill 2005* into Parliament.

Although some adjustments have been made to the Welfare to Work proposals, WWDA is 'at a loss' to understand why virtually no relaxation of conditions has been extended to people with disabilities. The small concessions nominated on Tuesday for people with disabilities in rural areas will only be of small benefit to a relatively small number. The larger numbers of people with disabilities in urban Australia who are placed on the NSA will face huge barriers in finding work and risk being locked into a jobless poverty trap.

With gender and disability discrimination working in tandem with the Work Choices changes and the Welfare to Work NSA conditions, women with disabilities will be more 'at a loss' than any other group.

Philip, Ann and Julia have looked in detail at the impacts which the twin proposals will have on workers, with emphasis on their effect on women. I propose to have a quick look at some of the 'chatter' over the wires about both proposals. Analyses of the Work Choices and Welfare to Work proposals have come from all quarters, with ideological and practical objections registered in a sustained fashion.

Although for more than a year we have been talking about the Industrial Relations changes, I will refer to them by their current ironic name of Work Choices.

### **State Government Reactions**

Of course it is not surprising that the Labor Governments in all States and Territories have taken a combative stance on both Welfare to Work and Work Choices. State and Territory Labor leaders condemned John Howard's long-awaited industrial relations package, saying it promised little, guaranteed nothing and may still be challenged in

the High Court, calling it a "piecemeal" package that lacked detail and was devoid of ideas<sup>1</sup>.

More pertinent for us was an open letter issued by State and Territory Ministers for Women in which they expressed their concern that the Work Choices changes would significantly disadvantage women workers and their families. They sought assurances that working women will not be worse off under a changed industrial relations system, in particular that women will not be asked to choose between family friendly conditions and pay levels under the proposed changes<sup>2</sup>.

The WA Minister for Disabilities<sup>3</sup> wrote directly to WWDA about the concerns of his Department and the WA Government, in particular highlighting concerns about the likely consequences for women with disabilities.

### **Reactions from Individual Politicians**

Concerned and/or negative reactions from individual politicians have not been confined to those of the opposition and cross benches.

Victorian Premier, Mr. Bracks said the "key benchmark" to assess the package would be a legislative guarantee that no worker would be worse off under the changes. *"If we don't see that, well then the PM has failed working families in this country,"* he said.<sup>4</sup> There is no such guarantee but Mr. Howard maintains that the Work Choices changes will boost the Australian economy and generate more jobs and higher wages.<sup>5</sup>

On 19 October, Senator Joyce began to voice his concerns, saying that he would not be able to afford to live on the NSA welfare incomes<sup>6</sup>". Coalition backbench politicians have also shown their concern about both proposals, and in particular have coordinated their efforts to be informed by constituents and community groups, and to consider appropriate changes.

In the Federal Government, Senator Penny Wong has been a tireless analyst of the Welfare to work reforms. Her call for a Senate Review, though rejected in early October has now been taken up as a Government initiative in the form of a short time-frame Senate Community Affairs Legislation Committee inquiry.

### **Analysis by Disability and Welfare Organisations**

The National Welfare Rights Network, Australian Federation of Disability Organisations, Australian Council of Social Services, Disability Participation Alliance and the Women's Consortium working with NATSEM have been issuing comprehensive analyses of the impacts of the Welfare to Work and Work Choices

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<sup>1</sup> Australian 10 Oct 2005

<sup>2</sup> Open Letter from State and Territory Ministers for Women, accessed via ACT Minister for Women's news, October 2005

<sup>3</sup> Email communication to WWDA, October 2005

<sup>4</sup> Australian 10 Oct 2005

<sup>5</sup> Sydney Morning Herald, 9 October 2005

<sup>6</sup> Karvelas, P & Gosch, E *Politicians objections* (syndicated to) Courier Mail, 19 October 2005

proposals for many months<sup>7</sup>. The financial disincentives contained in the Welfare to Work package are far worse than those enumerated in the NATSEM tables. As indicated in the NATSEM reports, there is a range of additional penalties which come into effect as earned income increases. When Centrelink recovery of debt (at 27.5 cents in the dollar) is factored in, and most people who are on welfare benefits have these debts, this inflates the Effective Marginal Tax Rate for those on NSA to almost 95%<sup>8</sup>.

### **Comment by Human Rights and Equal Opportunity Commission**

Under the Work Choices proposals, Dr Sev Ozdowski, Acting Human Rights Commissioner, has signalled the possibility that the very existence of the Disability Discrimination Act and the Sex Discrimination Act may act as disincentives for the employment of people with disabilities and women, because they provide a possible avenue for contesting a job termination.

Federal Sex Discrimination Commissioner, Pru Goward, says the Government's workplace reforms package will lead to worse working conditions for women<sup>9</sup>. In a series of forums held around the country, the predominant feedback from women was their apprehension of the impact of the proposed workplace changes. *"I think for low income, low skilled people the (Work Choices) flexibilities will lead to more precarious working hours, particularly for women."*

### **Effects on Family Life**

On 7 October, on Lateline (ABC Television) child health researcher, Fiona Stanley and Sex Discrimination Commissioner, Pru Goward talked about the effect which neglect of some key areas of children's development may have on the future economic prosperity of the country. Although not specifically aimed at discussion of Welfare to Work and Work Choices, the implications were obvious. Pru Goward talked about the culture of *'presentism'* where middle management men see themselves on a career track where they work long hours of unpaid overtime and are very conscious of not seeing enough of their children. Parents and employers, as well as unions, all seem to have some concerns about the effect of this on family life. For sole parents on the NSA, children could be at greater risk from poverty and reduced quality time as a family. The long-term consequence may be the cost of managing a larger population of unskilled, disenfranchised young people.

Academic research showed that a single woman on the Parenting Payment Single (PPS) risks being transferred to the NSA if she goes off the pension for any reason and then has to re-apply<sup>10</sup>.

The Salvation Army<sup>11</sup> expressed the fear echoed by many other church leaders that the Work Choices changes could lead to the exploitation of the most vulnerable, as

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<sup>7</sup> Relevant papers can be accessed online at the websites of all these organisations, with National Foundation of Australian Women, WomenSpeak, and Security4 Women carrying the information from the women's consortium.

<sup>8</sup> Raper, M. NRWN *New financial disincentives discovered in "welfare to work" package: losses could reach 94.5 cents for every dollar earned*, 6 October. This NRWN paper on the deficiencies in the income support side of the Welfare to work package can be accessed at [www.welfarights.org.au](http://www.welfarights.org.au).

<sup>9</sup> ABC Online Women worse off under IR changes: Goward 26 October 2005

<sup>10</sup> *ibid.*

people desperate for work would sacrifice anything to get a job. This has the potential to undermine family relationships if people have to work at weekends and on public holidays with no penalty rate incentives.

### **Comments from Industrial Relations Experts<sup>12</sup> and Media Analysts**

Although many business groups think that Work Choices is a positive change many others do not. The union movement and a good number of industrial relations academics see the reform agenda as partisan in favour of employers, undermining people's rights at work, and promoting the proliferation of low-paid, substandard forms of employment. Under Work Choices unemployed workers will face 'no choice' but to accept any job offer regardless of the conditions offered<sup>13</sup>. The penalty for refusal of a 'job offer' could mean losing social security benefits for up to eight weeks. Similar erosion of work conditions and potential loss of benefits could occur for sole parents and people with disabilities on NSAs. Other analysts, and the 2004 OECD *Employment Outlook* report question whether it is valid to assume the outcomes imputed for Work Choices<sup>14</sup>.

### **'Knock-on' Effects on Business Services, and Aged and Veterans' Pensions**

It is possible that the Work Choices changes could 'spill over' to affect Business Services (formerly Sheltered Workshops) with new commercial types emerging which will offer jobs with minimal benefits to people with disabilities with limited skills.

Age and veterans' pensions are benchmarked to 25 per cent of male average weekly earnings, or increased by the inflation rate, whichever is the greater. The cumulative effect of a 1 per cent reduction in wages growth will leave single pensioners almost \$20 a fortnight worse off, and couples \$30 a fortnight worse off within three years<sup>15</sup>.

### **Government Rebuttals**

The current media campaign proclaims that Work Choices is about ensuring "fairer" workplaces, in which a raft of rights and conditions – guarantees including annual leave loading, meal breaks, shift penalties, overtime rates and redundancy payments will be protected by law. However, Workplace Relations Minister Kevin Andrews has admitted that the legislation, and the breaching powers of Centrelink will mean that unemployed people can be forced to take jobs without those very conditions. He asserts taking a job with poor conditions will lead to getting one which is an improvement, saying that 4 out of 10 people who have a job move on to a better job within a 12 month period<sup>16</sup>. He does not elaborate on what happens to the other 6.

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<sup>11</sup> Karvelas, P. & Gosch, E, The Courier Mail, 19 October 2005

<sup>12</sup> Sydney Morning Herald, *Industrial Relations Academics: Work changes will do only half the job* October 5, 2005

<sup>13</sup> Matthew, G (2005) *Work Choices: Sign Up for Slavery*, Green Left Weekly, November 2 Edition 2005

<sup>14</sup> Gittins, R *More slant than substance in jobs reform ideology*, Sydney Morning Herald, 8 October 2005

<sup>15</sup> Adelaide Advertiser/ Sunday Mail, 16 October 2005

<sup>16</sup> Cook, T. *Australian minister admits unemployed will be compelled to accept inferior conditions* World Socialist Website, 1 November 2005

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This long list of interacting factors means that the level of apprehension which WWDA holds for the employment futures of its constituents is high.

Before concluding I would like to comment on a couple of anomalies which haunt me.

### **Some Anomalies**

#### ***Job Network Incentives***

Under Welfare to Work, Job Network agencies will be paid up to \$1100 for placing a person with disabilities in work for 13 (not necessarily continuous) weeks<sup>17</sup>. During these 13 weeks, a person with disabilities beavering away for 15 hours per week at the award wage of \$12.54 per hour would take home \$1040 (after tax) – a mere \$30 more. This calculation does not take into account the disability support losses, rent assistance losses, and Centrelink debt recoupment which would also occur.

#### ***Travel Requirements***

The Mobility Allowance paid to people with disabilities unable to use public transport has been increased to \$50 per week, or \$10 per day for a person working a 5-day week. Assuming a flag fall of about \$3, and using a 50% State/Territory taxi subsidy scheme voucher, means that the break-even commuting distance to work for a taxi user, is about 4.5 kilometres. Where vouchers allow a 75% subsidy, the commuting distance increases to nearly 7 kilometres. After that you are working to pay your taxi fares.

### **Conclusion**

With the Welfare to Work proposals, WWDA had been hoping that reasonable adjustments would be made to both the level of welfare support, and the conditions attached to it. We know that many of the unskilled and already disadvantaged will never get satisfactory jobs, and in fact may never get jobs at all. Many of its constituents will be trapped in the latter category – with severe detrimental effects on their health and well-being. For the Government the health costs of treating the permanently unemployed may wipe out any gains made in reducing welfare supports and introducing Work Choices.

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<sup>17</sup> Dutton, P. (Minister for Workforce Participation) *More Incentives for Job Network Members to Help Australians into Work* Media Release, 28 September 2005

**SUMMARY OF IR PROPOSALS  
HOW THE CHANGES WILL AFFECT UNIONS**

**Jackie Wise  
Security for Women**

**Collective Bargaining Under the Workplace Relations Amendment (Work Choices) Bill 2005**

It will be lawful to discriminate against employees who bargain collectively.

Bargaining to support unions in the workplace will be banned. The Government will be able to stop unions from bargaining around issues it does not agree with. Unions who do can be fined up to \$33,000.

It will be illegal to bargain for: a compulsory role for the union in dispute procedures, trade union training, that the next agreement negotiated will be a collective agreement and paid union meetings. The Minister will be able to include further items in the list of banned bargaining matters.

Employers will be free to offer at any time individual contracts to any employee which will negate the operation of other industrial instruments in relation to that employee. However, in contrast, unions will be bound for their term and be subject to severe sanctions if they act outside their commitments.

Employers will be able to refuse to negotiate a collective agreement even where that is the determined preference of the workers.

There will be a prohibition on pattern bargaining.

**Industrial Action Under the Workplace Relations Amendment (Work Choices) Bill 2005**

Industrial action is re-defined, and employees ceasing work where there is an imminent safety risk will need evidence to show this fear was genuine.

Protected industrial action will require a secret ballot at the workplace. Unions will have to pay 20 per cent of the costs incurred.

The AIRC must either suspend or terminate bargaining if any of the grounds are made out. However, power to arbitrate is removed unless the bargaining is terminated due to the impact of the safety of the community or the economy.

The Minister can override the role of the AIRC and declare action is having a detrimental impact on public safety or the economy. The Minister can issue orders to return to work and cease action, as well as remove protection from industrial action.

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Complicated secret ballots before all strikes, limiting how long you as well as what you can strike over, as well as making it much easier for other parties to apply to end strikes.

No ballot process before an employer imposes a lockout.

**Union Access Under the Workplace Relations Amendment (Work Choices) Bill 2005**

Unions will need to provide 24 hours written notice, including a reason for the visit.

Restrict the right of workers to access advice and representation through the limited access.

Unions will not be able to access AWA-only work places.

No access to non-member records to check that employers are paying them correctly.

Union access provisions will not be allowed in collective agreements.